

PROSPECTUS DATED 30 July 2019



## National Grid plc

*(incorporated with limited liability in England and Wales on 11 July 2000 under registered number 4031152)*

## National Grid Electricity Transmission plc

*(incorporated with limited liability in England and Wales on 1 April 1989 under registered number 2366977)*

### Euro 15,000,000,000

## Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme (the "Programme") described in this prospectus (the "Prospectus"), each of National Grid plc ("National Grid" or the "Company") and National Grid Electricity Transmission plc ("NGET") (each, an "Issuer" and together, the "Issuers"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt instruments (the "Instruments") denominated in any currency agreed between the relevant Issuer, the Trustee and the relevant Dealer (as defined below). The aggregate nominal amount of Instruments outstanding will not at any time exceed Euro 15,000,000,000 (or the equivalent in other currencies). The Instruments (other than Instruments issued under the Australian Deed Poll (as defined below) ("Australian Domestic Instruments")) will only be issued in bearer form. The Australian Domestic Instruments will only be issued in registered uncertificated form.

Application has been made to the Financial Conduct Authority (the "FCA") under Part VI of the Financial Services and Markets Act 2000 ("FSMA") for Instruments issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Instruments to be admitted to trading on either the London Stock Exchange's regulated market (the "Market") or on the London Stock Exchange's Professional Securities Market (the "PSM"). References in this Prospectus to Instruments being "listed" (and all related references) shall mean that such Instruments have been admitted, as appropriate, to trading on the Market or the PSM and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on Markets in financial instruments (as amended, "MiFID II"). The PSM is not a regulated market for the purposes of MiFID II. The relevant Final Terms (as defined in the section headed "Overview of the Programme") in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Official List and admitted to trading on the Market or the PSM. In the case of Instruments issued under the Programme which are listed on the Official List and admitted to trading on the PSM (the "PSM Instruments"), references to the Final Terms contained in this Prospectus shall be construed as references to the pricing supplement substantially in the form set forth in this Prospectus (the "Pricing Supplement").

**References in this Prospectus to PSM Instruments are to Instruments for which no prospectus is required to be published under the Prospectus Regulation (as defined below). For the purposes of any PSM Instruments issued pursuant to this Programme, this document does not constitute a base prospectus within the meaning of Article 1 of the Prospectus Regulation and will constitute Listing Particulars (as defined below).**

This Prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation; such approval should not be considered as (a) an endorsement of the Issuers; or (b) an endorsement of the quality of any Instruments that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Instruments.

Each Series (as defined in the section headed "Overview of the Programme") of Instruments (other than Australian Domestic Instruments) will be represented on issue by a temporary global instrument in bearer form (each a "temporary Global Instrument") or a permanent global instrument (each a "permanent Global Instrument", and together with the temporary Global Instrument, the "Global Instruments"). If the Global Instruments are stated in the applicable Final Terms (as defined in the section headed "Overview of the Programme") to be issued in new global note ("NGN") form, the Global Instruments will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). Global Instruments which are not issued in NGN form ("Classic Global Notes" or "CGNs") will be deposited on the issue date of the relevant Tranche with a depository or a common depository on behalf of Euroclear and Clearstream, Luxembourg or such other clearing systems as may be agreed upon by the relevant Issuer, the Trustee and the relevant dealers (the "Common Depository"). The provisions governing the exchange of interests in any Global Instrument for interests in any other Global Instrument and definitive Instruments are described in "Overview of Provisions Relating to the Instruments while in Global Form".

Instruments issued by National Grid under the Programme are expected to be rated BBB+ by S&P Global Ratings Europe Limited ("S&P"), BBB+ by Fitch Ratings Limited ("Fitch") and Baa1 by Moody's Investors Service Ltd. ("Moody's"); and Instruments issued by NGET under the Programme are expected to be rated A- by S&P, A by Fitch and A3 by Moody's. S&P, Fitch and Moody's are established in the European Union and are registered under Regulation (EC) No 1060/2009 on credit rating agencies (the "CRA Regulation"). Tranches of Instruments (as defined in "Overview of the Programme") to be issued under the Programme may be rated or unrated. Where a Tranche of Instruments is rated, such rating will be specified in the relevant Final Terms. Such ratings will not necessarily be the same as the ratings assigned to any Instruments already issued. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Credit ratings in respect of the Instruments or an Issuer are for distribution to persons who are not a "retail" client within the meaning of section 761G of the Corporations Act 2001 of Australia ("Australian Corporations Act") and are also sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Australian Corporations Act and in all cases in such circumstances as may be permitted by applicable laws in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive this Prospectus and anyone who receives this Prospectus must not distribute it to any person who is not entitled to receive it. In the case of any Instruments which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum specified denomination of the Instruments issued under the Programme shall be at least €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Instruments).

An investment in Instruments issued under the Programme involves certain risks. For a discussion of such risks, see the section headed "Risk Factors" in this Prospectus.

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in transactions exempt from the registration requirements of the Securities Act.

### Programme Arranger and Dealer

**HSBC  
Dealers**

**Barclays  
Citigroup  
J.P. Morgan  
MUFG**

**BofA Merrill Lynch  
HSBC  
Morgan Stanley  
NatWest Markets**

**RBC Capital Markets**

## IMPORTANT NOTICES

This Prospectus comprises of (i) a base prospectus (each a “Base Prospectus”) for the purposes of the Prospectus Regulation and relevant implementing measures in the United Kingdom with regard to each of (a) National Grid and each of its subsidiary undertakings, including NGET (together, the “National Grid Group”) (the “National Grid Prospectus”) and (b) with the exception of the information contained in the sections entitled “Description of National Grid plc”, “Risk Factors - Risks relating to National Grid and its business” and the information contained in paragraphs 2, 4, 6, 8, 10, 12, 13, 18(b), 18(d) and 22 in the section entitled “General Information”, NGET and each of its subsidiary undertakings (together, the “NGET Group”) (the “NGET Prospectus”, together with the National Grid Prospectus, the “Prospectuses” and each a “Prospectus”) and (ii) listing particulars for the purposes of LR 2.2.11 of the Listing Rules of the Financial Conduct Authority and Section 80 (1) of the FSMA with regard to each of (a) National Grid and the National Grid Group (the “National Grid Listing Particulars”) and (b) with the exception of the information contained in the sections entitled “Description of National Grid plc”, “Risk Factors - Risks relating to National Grid and its business” and the information contained in paragraphs 2, 4, 6, 8, 10, 12, 13, 18(b), 18(d) and 22 in the section entitled “General Information”, NGET and the NGET Group (the “NGET Listing Particulars”, together with the National Grid Listing Particulars, the “Listing Particulars” and each “Listing Particulars”). For avoidance of doubt, the form of Pricing Supplement forms part of the Listing Particulars and does not form part of either of the Prospectuses.

Subject to compliance with all relevant laws, regulations and directives, Instruments issued under the Programme may have any maturity from one month to perpetuity. Any Instruments having a maturity of less than one year from their date of issue must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of Section 19 of FSMA by the Issuer. For purposes of any such Instruments issued pursuant to this Programme, this document does not constitute a base prospectus within the meaning of Article 1 of the Prospectus Regulation but will constitute Listing Particulars.

National Grid (the “National Grid Responsible Person”) accepts responsibility for the information contained in the National Grid Prospectus and each Final Terms issued by it. To the best of the knowledge of National Grid, such information contained in the National Grid Prospectus is in accordance with the facts and the National Grid Prospectus does not omit anything likely to affect the import of such information.

NGET (the “NGET Responsible Person”, together with National Grid Responsible Person, the “Responsible Persons” and each a “Responsible Person”) accepts responsibility for the information contained in the NGET Prospectus and each Final Terms issued by it. To the best of the knowledge of NGET, such information contained in the NGET Prospectus is in accordance with the facts and the NGET Prospectus does not omit anything likely to affect the import of such information.

National Grid accepts responsibility for the information contained in the National Grid Listing Particulars and each Pricing Supplement issued by it. To the best of the knowledge of National Grid, such information contained in the National Grid Listing Particulars is in accordance with the facts and the National Grid Listing Particulars does not omit anything likely to affect the import of such information.

NGET accepts responsibility for the information contained in the NGET Listing Particulars and each Pricing Supplement issued by it. To the best of the knowledge of NGET, such information contained in the NGET Listing Particulars is in accordance with the facts and the NGET Listing Particulars does not omit anything likely to affect the import of such information.

This Prospectus should be read and construed together with any amendments or supplements hereto and with any documents deemed to be incorporated herein (see “Documents Incorporated by Reference” below) and, in relation to any Tranche (as defined herein) of Instruments, should be read and construed together with the applicable Final Terms (as defined herein).

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus in connection with the issue or sale of the Instruments and, if given or made, any such information or representation must not be relied upon as having been authorised by either of the Issuers or any of the Dealers or the Arranger or the Trustee (as defined in “Overview of the Programme”).

Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall, under any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof, that there has been no change (or any event reasonably likely to involve a change) in the affairs of either of the Issuers since the date of this Prospectus or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change (or any event reasonably likely to involve any adverse change) in the financial position of either of the Issuers since the date of this Prospectus or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

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

The distribution of this Prospectus and the offering, distribution or sale of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuers, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Instruments have not been and will not be registered under the Securities Act or with any Securities Regulatory Authority of any state or other jurisdiction of the United States. The Instruments (other than Australian Domestic Instruments) will be in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, the Instruments may not be offered, sold or delivered within the United States or to U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). This Prospectus has not been, and will not be, lodged with the Australian Securities and Investments Commission and is not, and does not purport to be, a document containing disclosure to investors for the purposes of Part 6D.2 or Part 7.9 of the Australian Corporations Act. It is not intended to be used in connection with any offer for which such disclosure is required and does not contain all the information that would be required by those provisions if they applied. It is not to be provided to any ‘retail client’ as defined in section 761G of the Australian Corporations Act. For a description of certain restrictions on offers and sales of Instruments and on distribution of this Prospectus or any Final Terms, see “Plan of Distribution”.

The Instruments are being offered and sold outside the United States to Non-U.S. person in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of notes and distribution of this Prospectus, see “Plan of Distribution”.

Neither this Prospectus nor any Final Terms constitutes an offer of, or an invitation by or on behalf of the relevant Issuer or the Dealers or the Trustee to subscribe for, or purchase, any Instruments.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – If the Final Terms in respect of any Instruments includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the “Prospectus Regulation”. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling

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

**MiFID II PRODUCT GOVERNANCE/TARGET MARKET:** The Final Terms in respect of any Instruments may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (a “distributor”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Instruments is a manufacturer in respect of such Instruments, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

If the Global Instruments are stated in the applicable Final Terms to be issued in new global note (“NGN”) form, the Global Instruments will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”) and/or any other agreed clearing system. Global Instruments which are not issued in NGN form (“Classic Global Notes” or “CGNs”) will be deposited on the issue date of the relevant Tranche with a depository or a common depository on behalf of Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. The provisions governing the exchange of interests in Global Instruments for other Global Instruments and definitive Bearer Instruments are described in “Overview of Provisions Relating to the Instruments while in Global Form”.

Save for the Issuers (as described in the first paragraph on the cover page of this Prospectus), no other party has separately verified the information contained in this Prospectus. None of the Dealers, the Arranger nor the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statement is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by either of the Issuers, the Trustee, the Arranger or the Dealers that any recipient of this Prospectus or any other financial statements should purchase the Instruments. Each potential purchaser of Instruments should determine for itself the relevance of the information contained in this Prospectus and its purchase of Instruments should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger nor the Trustee undertakes to review the financial condition or affairs of either of the Issuers during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Dealers, the Arranger or the Trustee.

Each potential investor in any Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Instruments, the merits and risks of investing in the relevant Instruments and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Instruments and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Instruments, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the relevant Instruments and be familiar with the behaviour of any relevant indices and financial markets; and

- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Instruments are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Instruments which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

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

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "Euro" and "€" are to the currency of those member states of the European Union which are participating in European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, to "Japanese yen" and "yen" are to the lawful currency of Japan, to "£" and "Sterling" are to the lawful currency of the United Kingdom, to "U.S. dollars" and "U.S.\$" are to the lawful currency of the United States of America, to "Canadian dollars" and "CAD" are to the lawful currency of Canada, to "Australian dollars" and "A\$" are to the lawful currency of Australia, to "New Zealand dollars" are to the lawful currency of New Zealand, to "Swedish krona" are to the lawful currency of Sweden, to "Danish krone" are to the lawful currency of Denmark, to "Hong Kong dollars" are to the lawful currency of Hong Kong and to "Swiss francs" are to the lawful currency of Switzerland.

**In connection with the issue of any Tranche (as defined in "Overview of the Programme") of Instruments (other than Australian Domestic Instruments or in circumstances where such action could reasonably be expected to affect the price of the Instruments traded within Australia or on a financial market (as defined in the Australian Corporations Act) operated within Australia), the Dealer or Dealers (if any) appointed as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) may over-allot Instruments or effect transactions with a view to supporting the market price of the Instruments at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) or person(s) acting on behalf of any Stabilising Manager(s) in accordance with all applicable laws and rules.**

**BENCHMARKS REGULATION:** Amounts payable under Floating Rate Instruments issued under the Programme may be calculated or otherwise determined by reference to an index or a combination of indices. Any such index may constitute a benchmark for the purposes of the Benchmarks Regulation (Regulation (EU) 2016/1011) (the "BMR"). If any such index does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("ESMA") pursuant to Article 36 of the BMR. Not every index will fall within the scope of the BMR. Furthermore the transitional provisions in Article 51 of the BMR apply such that the administrator of a particular benchmark may not currently be required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence) at the date of the applicable Final Terms. The registration status of any administrator under the BMR is a matter of public

record and, save where required by applicable law, the Issuers do not intend to update the applicable Final Terms to reflect any change in the registration status of the administrator.

**Singapore Securities and Futures Act Product Classification** – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Instruments, each Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Instruments are “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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## OVERVIEW OF THE PROGRAMME

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

<b>Issuers</b>	National Grid plc National Grid Electricity Transmission plc
<b>National Grid Legal Entity Identifier</b>	8R95QZMKZLJX5Q2XR704
<b>NGET Legal Entity Identifier</b>	5XJXCCYG4SDKFJ5WLB02
<b>Description</b>	Euro Medium Term Note Programme
<b>Size</b>	Up to Euro 15,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Instruments outstanding at any one time.
<b>Arranger</b>	HSBC Bank plc
<b>Permanent Dealers</b>	Barclays Bank PLC Citigroup Global Markets Limited HSBC Bank plc J.P. Morgan Securities plc Merrill Lynch International MUFG Securities EMEA plc Morgan Stanley & Co. International plc NatWest Markets Plc RBC Europe Limited
	The Issuers may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “Permanent Dealers” are to the persons listed above as Permanent Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and in each case whose appointment has not been terminated) and references to “Dealers” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Trustee</b>	The Law Debenture Trust Corporation p.l.c.
<b>Issuing and Paying Agent</b>	The Bank of New York Mellon, London Branch
<b>Australian Issuing and Paying Agent and Australian Registrar</b>	BTA Institutional Services Australia Limited
<b>Canadian Paying Agent</b>	BNY Trust Company of Canada
<b>Other Paying Agent</b>	KBL European Private Bankers S.A.
<b>Method of Issue</b>	Instruments issued under the Programme will be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a “Series”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Instruments of



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

#### **Form of Instruments**

Instruments issued under the Programme (other than Australian Domestic Instruments) may be issued in bearer form only. Each Tranche of Instruments (other than Australian Domestic Instruments) will be represented on issue by a temporary Global Instrument if (a) definitive Instruments are to be made available to Instrumentholders following the expiry of 40 days after their issue date or (b) such Instruments have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined below), otherwise such Tranche will be represented by a permanent Global Instrument. Any permanent Global Instrument shall only be exchanged for Instruments in definitive form in the limited circumstances set out in the permanent Global Instrument. Australian Domestic Instruments may be issued in registered uncertificated form only.

#### **Clearing Systems**

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer including, for example, CDS Clearing and Depository Services Inc.

#### **Initial Delivery of Instruments**

On or before the issue date for each Tranche, if the relevant Global Instrument is a NGN, the Global Instrument will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Instrument is a CGN, the Global Instrument representing the relevant Instruments may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Instruments may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the relevant Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

#### **Status of Instruments**

The Instruments will constitute unsubordinated and unsecured obligations of the relevant Issuer, all as described in “Terms and Conditions of the Instruments — Status”.

#### **Negative Pledge**

Instruments issued by National Grid will have the benefit of a negative pledge as described in “Terms and Conditions of the Instruments — Status and Negative Pledge”.

Instruments issued by NGET will not have the benefit of a negative pledge.

**Cross Acceleration**

The Instruments may become immediately due and repayable at their Redemption Amount together with accrued interest (if any) to the date of payment if (i) any other present or future Relevant Indebtedness of the relevant Issuer or (in cases where National Grid is the Issuer) a Principal Subsidiary becomes due and payable prior to its stated maturity by reason of any actual event of default or (ii) any amount in respect of such Relevant Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the Relevant Indebtedness in respect of which one or more of the events mentioned in this paragraph have occurred equals or exceeds £100,000,000.

For the purposes of this provision, "Principal Subsidiary" means National Grid Gas plc, NGET, National Grid North America Inc. and National Grid USA, and includes any successor entity thereto or any member of the group of companies comprising National Grid and each of its subsidiary undertakings (the "National Grid Group") which the Auditors have certified to the Trustee as being a company to which all or substantially all of the assets of a Principal Subsidiary are transferred.

**Currencies**

Subject to compliance with all relevant laws, regulations and directives, Instruments may be issued in any currency agreed between the relevant Issuer and the relevant Dealer(s).

**Maturities**

Subject to compliance with all relevant laws, regulations and directives, the Instruments may have any maturity from one month to perpetuity.

Any Instruments having a maturity of less than one year from their date of issue must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of Section 19 of FSMA by the relevant Issuer.

**Denominations**

Definitive Instruments will be in such denominations as may be agreed between the relevant Issuer and the relevant Dealer and as specified in the relevant Final Terms save that unless otherwise permitted by then current laws and regulations, Instruments which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

<b>Issue Price</b>	Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount.
<b>Fixed Rate Instruments</b>	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
<b>Floating Rate Instruments</b>	<p>Floating Rate Instruments will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or</li> <li>(b) by reference to LIBOR or EURIBOR or AUD-BBR-BBSW or CAD-BA-CDOR or HKD-HIBOR-HIBOR= or EUR-ISDA-EURIBOR Swap Rate-11:00 or BBSW as adjusted for any applicable margin.</li> </ul> <p>Interest periods will be selected by the relevant Issuer prior to issue and specified in the relevant Final Terms. Floating Rate Instruments may also have a maximum interest rate, a minimum interest rate, or both.</p>
<b>Benchmark Discontinuation</b>	On the occurrence of a Benchmark Event, the Issuer may (subject to certain conditions and following consultation with an Independent Adviser) determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, and any Benchmark Amendments in accordance with Condition 3.10.
<b>Zero Coupon Instruments</b>	Zero Coupon Instruments (as defined in “Terms and Conditions of the Instruments”) may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Index Linked Instruments</b>	<p>Payments of interest and principal in respect of Index Linked Instruments will be calculated by reference to an Index Ratio, derived from either:</p> <ul style="list-style-type: none"> <li>(a) the U.K. Retail Prices Index (the “RPI”) (all items) published by the Office for National Statistics or the relevant successor index (“RPI Linked Instruments”);</li> <li>(b) the Non-revised Harmonised Index of Consumer Prices excluding tobacco, or the relevant successor index, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (“HICP”) (“HICP Linked Instruments”);</li> <li>(c) the U.K. Consumer Prices Index (the “CPI”) (all items) published by the Office for National Statistics or the relevant successor index (“CPI Linked Instruments”); or</li> <li>(d) the U.K. Consumer Prices Index including Owner Occupiers’ Housing costs and Council Tax (“CPIH”) (all items) published by the Office for National Statistics or the relevant successor index (“CPIH Linked Instruments”).</li> </ul>

The relevant Index in respect of any Index Linked Instruments will be specified in the Final Terms.

**Interest Periods and Rates of Interest**

The length of the interest periods for the Instruments issued under the Programme and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Instruments may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Instruments to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Redemption**

Unless permitted by then current laws and regulations, Instruments which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

**Optional Redemption**

The Final Terms issued in respect of each issue of Instruments will state whether such Instruments may be redeemed prior to their stated maturity at the option of the relevant Issuer (either in whole or in part) and/or the Instrumentholders, and if so the terms applicable to such redemption.

If specified in the applicable Final Terms, the relevant Issuer will have the option to redeem or purchase the Instruments early at a Make-whole amount, or otherwise at any other amount specified, and at any time(s) specified in such Final Terms.

If specified in the applicable Final Terms, the relevant Issuer may elect to redeem all, but not some only, of the Instruments of any Series at their Residual Holding Redemption Amount at any time if the Residual Holding Percentage or more of the aggregate nominal amount of such Instruments originally issued shall have been redeemed or purchased and cancelled.

**Events of Default**

The events of default under the Instruments are as specified below under “Terms and Conditions of the Instruments — Events of Default”.

**Early Redemption**

Except as provided in “Optional Redemption” and “Redemption” above, Instruments will be redeemable at the option of the Issuer prior to maturity only for reasons related to taxation and in the case of Index Linked Instruments only, for reasons related to the relevant index.

**Withholding Tax**

All payments of principal and interest in respect of the Instruments and Coupons will be made free and clear of withholding taxes of the United Kingdom unless compelled by law. In that event, the relevant Issuer will, subject to customary exceptions, pay such additional amounts as will result in the receipt by the Instrumentholders or Couponholders of such amounts as would otherwise have been received by them in respect of the Instruments or the

Coupons had no such withholding been required, all as described in “Terms and Conditions of the Instruments – Taxation”.

**Governing Law**

In the case of Instruments other than Australian Domestic Instruments, English law. In the case of Australian Domestic Instruments, the laws of New South Wales, Australia.

**Listing**

Instruments issued under the Programme may be admitted to the Official List and admitted to trading on the Market or the PSM.

**Ratings**

Tranches of Instruments may be rated or unrated. Where a Tranche of Instruments is to be rated, such rating will be specified in the relevant Final Terms.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation.

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

**Selling Restrictions**

United States, Public Offer Selling Restriction under the Prospectus Regulation (in respect of Instruments having a specified denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the relevant Instruments), Prohibition of Sales to EEA Retail Investors, United Kingdom, Japan, Australia, Switzerland, Canada, Hong Kong, Singapore and Belgium.

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

The Instruments will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (the “D Rules”) unless (a) the relevant Final Terms states that Instruments are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code)) (the “C Rules”) or (b) the Instruments are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Instruments will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

**Terms and Conditions**

The Terms and Conditions applicable to each Series will be as agreed between the relevant Issuer, the Trustee and the relevant Dealer(s) or other subscriber at or prior to the time of

issuance of such Series and will be specified in the relevant Final Terms.

## RISK FACTORS

*The relevant Issuer believes that the following factors may affect its ability to fulfil its obligations under Instruments issued under the Programme. All of these factors are contingencies which may or may not occur.*

*Factors which the relevant Issuer believes may be material for the purpose of assessing the market risks associated with Instruments issued under the Programme are also described below.*

*The relevant Issuer believes that the factors described below represent the principal risks inherent in investing in Instruments issued under the Programme, but the relevant Issuer may be unable to pay interest, principal or other amounts on or in connection with any Instruments for other reasons and the relevant Issuer does not represent that the statements below regarding the risks of holding any Instruments are exhaustive. Prospective investors should read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **1 Factors that may affect National Grid's ability to fulfil its obligations under Instruments issued under the Programme**

#### **A. Operational Risks relating to National Grid and its businesses**

*The risks described under this heading A (Operational Risks relating to National Grid and its businesses) have been categorised as operational risks. Operational risks relate to losses resulting from inadequate or failed internal processes, people and systems, or due to external events. Should an operational risk materialise without effective prevention or mitigation controls it would have a high level of impact. Operational risks are managed through policy, standards, procedure-based controls, active prevention and monitoring. Principal risk assessment includes reasonable worst-case scenario testing i.e. gas transmission pipeline failure, loss of licence to operate, cyber security attack – and the financial and reputational impact should a single risk or multiple risks materialise. External events in 2018/19 – the extreme weather events, the fires in California and the Columbia Gas Company incident – were considered in the assessment and testing, as well as in the development of mitigation actions. This introductory paragraph in italicised text forms part of the risk factors in this section but is not a risk factor itself.*

- Catastrophic asset failure results in a significant safety and/or environmental event. See “*Potentially harmful activities*” below.
- Major cyber security breach of business, operational technology and/or critical national infrastructure (“**CNI**”) systems/data. See “*Infrastructure and IT systems*” below.
- Failure to predict and respond to a significant disruption of energy that adversely affects National Grid's customers and/or the public. See “*Infrastructure and IT systems*” below.
- Failure to adequately identify, collect, use and keep private the physical and digital data required to support Company operations and future growth. See “*Infrastructure and IT systems*” below.

Further context on National Grid's operational risks is set out below:

#### ***Potentially harmful activities***

*Aspects of National Grid's activities could potentially harm employees, contractors, members of the public or the environment.*

Potentially hazardous activities that arise in connection with National Grid's business include the generation, transmission and distribution of electricity and the storage, transmission and distribution of gas. Electricity and gas utilities also typically use and generate hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of National Grid's operations that are

not currently regarded or proved to have adverse effects but could become so, such as the effects of electric and magnetic fields. A significant safety or environmental incident, a catastrophic failure of National Grid's assets or a failure of its safety processes or of its occupational health plans, as well as the breach of National Grid's regulatory or contractual obligations or its climate change targets, could materially adversely affect National Grid's results of operations and its reputation. Safety is a fundamental priority for National Grid and it commits significant resources and expenditure to process safety and to monitoring personal safety, occupational health and environmental performance, and to meeting its obligations under negotiated settlements. National Grid is subject to laws and regulations in the U.K. and U.S. governing health and safety matters to protect the public and its employees and contractors, who could potentially be harmed by these activities, as well as laws and regulations relating to pollution, the protection of the environment, and the use and disposal of hazardous substances and waste materials. These expose National Grid to costs and liabilities relating to National Grid's operations and properties, including those inherited from predecessor bodies, whether currently or formerly owned by National Grid, and sites used for the disposal of its waste. The cost of future environmental remediation obligations is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and National Grid's share of the liability. National Grid is increasingly subject to regulation in relation to climate change and is affected by requirements to reduce its own carbon emissions as well as to enable a reduction in energy use by its customers. If more onerous requirements are imposed or National Grid's ability to recover these costs under regulatory frameworks changes, then this could have a material adverse impact on National Grid's business, reputation, results of operations and financial position.

### ***Infrastructure and IT systems***

*National Grid may suffer a major network failure or interruption, or may not be able to carry out critical operations due to the failure of infrastructure, data or technology or a lack of supply.*

Operational performance could be materially adversely affected by a failure to maintain the health of National Grid's assets or networks, inadequate forecasting of demand, inadequate record keeping or control of physical or digital data or a failure of information systems and supporting technology. This in turn could cause National Grid to fail to meet agreed standards of service, incentive and reliability targets, or to be in breach of a licence, approval, regulatory requirement or contractual obligation. Even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming National Grid's reputation. Where there is a significant disruption of energy or the demand for electricity or gas exceeds supply and National Grid's balancing mechanisms are not able to mitigate this fully, a lack of supply to consumers may damage its reputation. In addition to these risks, National Grid may be affected by other potential events that are largely outside its control such as the impact of weather (including as a result of climate change and major storms), unlawful or unintentional acts of third parties, insufficient or unreliable supply or force majeure. Weather conditions can affect financial performance and severe weather that causes outages or damages infrastructure, together with National Grid's actual or perceived response, could materially adversely affect operational and potentially business performance and National Grid's reputation. Malicious attack, sabotage or other intentional acts, including breaches of National Grid's cyber security, may also damage its assets (which include critical national infrastructure), systems or data or otherwise significantly affect corporate activities and, as a consequence, have a material adverse impact on its reputation, business, results of operations and financial condition. Unauthorised access to, or deliberate breaches of, National Grid's IT systems may also lead to manipulation of National Grid's proprietary business data or customer information. Unauthorised access to private customer information may make National Grid liable for a violation of data privacy regulations. Even where National Grid establishes business continuity controls and security against threats against its systems, these may not be sufficient.



## **Customers and counterparties**

*Customers and counterparties may not perform their obligations.*

National Grid's operations are exposed to the risk that customers, suppliers, banks and other financial institutions and others with whom National Grid does business will not satisfy their obligations, which could materially adversely affect its financial position. This risk is significant where National Grid's subsidiaries have concentrations of receivables from gas and electricity utilities and their affiliates, as well as industrial customers and other purchasers, and may also arise where customers are unable to pay National Grid as a result of increasing commodity prices or adverse economic conditions.

To the extent that counterparties are contracted with for physical commodities (gas and electricity) and they experience events that impact their own ability to deliver, National Grid may suffer supply interruption.

There is also a risk to National Grid where it invests excess cash or enters into derivatives and other financial contracts with banks or other financial institutions. Banks who provide National Grid with credit facilities may also fail to perform under those contracts.

## **B. Strategic and regulatory risks relating to National Grid and its businesses**

*The risks described under this heading B (Strategic and regulatory risks relating to National Grid and its businesses) have been categorised as strategic and regulatory risks. Strategic risk is the risk of failing to achieve the National Grid's overall strategic business plans and objectives, as well as failing to have the 'right' strategic plan. This introductory paragraph in italicised text forms part of the risk factors in this section but is not a risk factor itself.*

The political climate and policy decisions of National Grid's regulators in 2018/19 were key considerations in assessing strategic and regulatory risks.

- Failure to influence future energy policy and secure satisfactory regulatory agreements. See "*Law and regulation*" below.
- Failure to deliver National Grid's customer, stakeholder and investor proposition due to increased political and economic uncertainty. See "*Law and regulation*" below.
- Failure to adequately anticipate and minimise the adverse impact from disruptive forces such as technology and innovation on National Grid's business model. See "*Growth and business development activity*" below.

Further context on National Grid's strategic and regulatory risks is set out below:

### **Law and regulation**

*Changes in law or regulation or decisions by governmental bodies or regulators and increased political and economic uncertainty could materially adversely affect National Grid.*

Most of National Grid's businesses are utilities or networks subject to regulation by governments and other authorities. Changes in law or regulation or regulatory policy and precedent (including any changes arising as a result of the U.K.'s exit from the European Union), and/or any decisions of governmental bodies or regulators, in the countries or states in which National Grid operates could materially adversely affect it. It may fail to deliver any one of its customer, investor and wider stakeholder propositions due to increased political and economic uncertainty. If National Grid fails to engage in the energy policy debate, it may not be able to influence future energy policy, secure satisfactory regulatory agreements and deliver its strategy. Decisions or rulings concerning, for example: (i) the RIIO-T2 price controls and whether licences, approvals or agreements to operate or supply are granted, amended or renewed, whether consents for construction projects are granted in a timely manner or whether there has been any breach of the terms of a licence, approval or regulatory requirement; (ii) timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, a decoupling of energy usage and revenue, and other decisions relating

to the impact of general economic conditions on National Grid, its markets and customers, the impact of U.S. tax reform, implications of climate change and of advancing energy technologies, whether aspects of its activities are contestable, the level of permitted revenues and dividend distributions for National Grid's businesses and in relation to proposed business development activities; and (iii) the nationalisation of any utilities in the countries or states in which National Grid operates, could have a material adverse impact on National Grid's results of operations, cash flows, the financial condition of its businesses and the ability to develop those businesses in the future.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either National Grid or the National Grid Group will be unable to comply with its obligations as a company with securities admitted to the Official List.

### **Growth and business development activity**

*Failure by National Grid to respond to external market developments and execute its growth strategy may negatively affect its performance. Conversely, new businesses or activities that National Grid undertakes alone, or with partners, may not deliver target outcomes and may expose National Grid to additional operational and financial risk.*

Failure by National Grid to grow its core business sufficiently and have viable options for new future business over the longer term or failure to respond to the threats and opportunities presented by emerging technology (including for the purposes of adapting its networks to meet the challenges of increasing distributed energy resources) and innovation could negatively affect its credibility and reputation and jeopardise the achievement of intended financial returns. National Grid's business development activities and the delivery of its growth ambition involve acquisitions, disposals, joint ventures, partnering and organic investment opportunities such as development activities relating to changes to the energy mix and the integration of distributed energy resources and other advanced technologies. These are subject to a wide range of both external uncertainties (including the availability of potential investment targets and attractive financing and the impact of competition for onshore transmission in both the U.K. and U.S.), and internal uncertainties (including actual performance of National Grid and its business planning model assumptions and its ability to integrate acquired businesses effectively). As a result, National Grid may suffer unanticipated costs and liabilities and other unanticipated effects. National Grid may also be liable for the past acts, omissions or liabilities of companies or businesses it has acquired, which may be unforeseen or greater than anticipated. In the case of joint ventures, National Grid may have limited control over operations and its joint venture partners may have interests that diverge from National Grid's interests. The occurrence of any of these events could have a material adverse impact on National Grid's results of operations or financial condition, and could also impact its ability to enter into other transactions.

### **Business performance**

*Current and future business performance may not meet National Grid's expectations or those of its regulators and shareholders.*

Earnings maintenance and growth from National Grid's regulated gas and electricity businesses will be affected by its ability to meet or exceed efficiency targets and service quality standards set by, or agreed with, its regulators. If National Grid does not meet these targets and standards, or if it is not able to deliver its U.S. rate plans successfully, it may not achieve the expected benefits, its business may be materially adversely affected and its performance, results of operations and reputation may be materially harmed and it may be in breach of regulatory or contractual obligations.

### **C. People risks**

*The risks described under this heading C (People risks) have been categorised as people risks. Building and fostering an engaged and talented team that has the knowledge, training, skills and experience to deliver National Grid's strategic objectives is vital to its success. National Grid is exposed to risk if it cannot*

*attract, integrate and retain the talent it needs at all levels of the business. This introductory paragraph in italicised text forms part of the risk factor in this section but is not a risk factor itself.*

- Failure to build sufficient capability and leadership capacity (including effective succession planning) required to deliver National Grid's vision and strategy.

Further context on National Grid's people risks is set out in "*Employees and others*" below:

### ***Employees and others***

*National Grid may fail to attract, develop and retain employees with the competencies, including leadership and business capabilities, values and behaviours required to deliver its strategy and vision and ensure they are engaged to act in National Grid's best interests.*

National Grid's ability to implement its strategy depends on the capabilities and performance of its employees and leadership at all levels of the business. Its ability to implement its strategy and vision may be negatively affected by the loss of key personnel or an inability to attract, integrate, engage and retain appropriately qualified personnel, or if significant disputes arise with its employees. As a result, there may be a material adverse effect on National Grid's business, financial condition, results of operations and prospects. There is a risk that an employee or someone acting on National Grid's behalf may breach its internal controls or internal governance framework or may contravene applicable laws and regulations. This could have an impact on National Grid's results of operations, its reputation and its relationship with its regulators and other stakeholders.

### **D. Financial risks**

*The risks described under this heading D (Financial risks) have been categorised as financial risks. While all risks have a financial liability, financial risks are those which relate to financial controls and performance. This introductory paragraph in italicised text forms part of the risk factors in this section but is not a risk factor itself.*

Further context on National Grid's financial risks is set out below:

### ***Exchange rates, interest rates and commodity price indices***

*Changes in exchange rates, interest rates or commodity prices could materially impact earnings or National Grid's financial condition.*

National Grid has significant operations in the U.S. and is therefore subject to the exchange rate risks normally associated with non-U.K. operations, including the need to translate U.S. assets and liabilities, and income and expenses, into sterling, National Grid's primary reporting currency. In addition, National Grid's results of operations and net debt position may be affected because a significant proportion of its borrowings, derivative financial instruments and commodity contracts are affected by changes in interest rates, commodity price indices and exchange rates, in particular the dollar to sterling exchange rate. Furthermore, National Grid's cash flow may be materially affected as a result of settling hedging arrangements entered into to manage its exchange rate, interest rate and commodity price exposure or by cash collateral movements relating to derivative market values, which also depend on the sterling exchange rate into Euro and other currencies.

### ***Post-retirement benefit contributions***

*National Grid may be required to make significant contributions to fund pension and other post-retirement benefits.*

National Grid participates in a number of pension schemes that together cover substantially all of its employees. In both the U.K. and the U.S., the principal schemes are defined benefit schemes where the scheme assets are held independently of National Grid's own financial resources. In the U.S., National

Grid also has other post-retirement benefit schemes. Estimates of the amount and timing of future funding for the U.K. and U.S. schemes are based on actuarial assumptions and other factors including: the actual and projected market performance of the scheme assets; future long-term bond yields; average life expectancies; and relevant legal requirements. Actual performance of scheme assets may be affected by volatility in debt and equity markets. Changes in these assumptions or other factors may require National Grid to make additional contributions to these pension schemes which, to the extent they are not recoverable under its price controls or state rate plans, could materially adversely affect National Grid's results of operations and financial condition.

### ***Financing and liquidity***

*An inability to access capital markets at commercially acceptable interest rates could affect how National Grid maintains and grows its businesses.*

National Grid's businesses are financed through cash generated from its ongoing operations, bank lending facilities and the capital markets, particularly the long-term debt capital markets. Some of the debt issued by National Grid is rated by credit rating agencies and changes to these ratings may affect both National Grid's borrowing capacity and borrowing costs. In addition, restrictions imposed by regulators may also limit how National Grid services the financial requirements of its current businesses or the financing of newly acquired or developing businesses. Financial markets can be subject to periods of volatility and shortages of liquidity. If National Grid were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, National Grid's cost of financing may increase, the discretionary and uncommitted elements of its proposed capital investment programme may need to be reconsidered and the manner in which National Grid implements its strategy may need to be reassessed. Such events could have a material adverse impact on National Grid's business, results of operations and prospects.

Some of National Grid's regulatory agreements impose lower limits for the long term senior unsecured debt credit ratings that certain companies within the group must hold or the amount of equity within their capital structures. One of the principal limits requires National Grid to hold an investment grade long term senior unsecured debt credit rating. In addition, some of National Grid's regulatory arrangements impose restrictions on the way it can operate. These include regulatory requirements for National Grid to maintain adequate financial resources within certain parts of its operating businesses and may restrict the ability of National Grid and some of its subsidiaries to engage in certain transactions, including paying dividends, lending cash and levying charges. The inability to meet such requirements or the occurrence of any such restrictions may have a material adverse impact on National Grid's business and financial condition.

National Grid's debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity and financial covenants, such as restrictions on the level of subsidiary indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of National Grid's debt and may restrict National Grid's ability to draw upon its facilities or access the capital markets.

## **2 Factors that may affect NGET's ability to fulfil its obligations under Instruments issued under the Programme**

### **A. Operational Risks relating to NGET and its businesses**

*The risks described under this heading A (Operational Risks relating to NGET and its businesses) have been categorised as operational risks. Operational risks relate to losses resulting from inadequate or failed internal processes, people and systems, or due to external events. Should an operational risk materialise without effective prevention or mitigation controls it would have a high level of impact. Operational risks are managed through policy, standards, procedure-based controls, active prevention and monitoring. This*

*introductory paragraph in italicised text forms part of the risk factors in this section but is not a risk factor itself.*

- Catastrophic asset failure results in a significant safety and/or environmental event. See “*Potentially harmful activities*” below.
- Failure of critical national infrastructure (CNI) IS Systems. See “*Infrastructure and IT systems*” below.
- Major cyber-security breach of business and CNI systems/data. See “*Infrastructure and IT systems*” below.
- Failure of a Business Critical Enterprise (non-CNI) IS System or Systems. See “*Infrastructure and IT systems*” and “*Potentially harmful activities*” below.
- An asset or assets fail on the electricity transmission system leading to a serious loss of supply or higher number of smaller losses of supply than currently experienced. See “*Potentially harmful activities*” below.
- NGET’s workers, contractors or members of the public experience an occupational safety incident that results in a fatal or life-changing injury. See “*Potentially harmful activities*” below.
- Failure to anticipate, respond or take advantage of disruptive forces such as technology & innovation of NGET’s business. See “*Infrastructure and IT systems*” and “*Growth and business development activity*” below.
- Failure to identify, collect, utilise and keep private the physical and IT data. See “*Infrastructure and IT systems*” below.
- Failure to successfully deliver significant infrastructure projects. See “*Infrastructure and IT systems*” and “*Growth and business development activity*” below.
- Business damaging error due to preoccupation with the transformation programme. See “*Infrastructure and IT systems*” and “*Growth and business development activity*” below.

Further context on NGET’s operational risks is set out below:

### ***Potentially harmful activities***

*Aspects of NGET’s activities could potentially harm employees, contractors, members of the public or the environment.*

Potentially hazardous activities that arise in connection with NGET’s business include the generation, transmission and distribution of electricity. Electricity utilities also typically use and generate hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of NGET’s operations that are not currently regarded or proved to have adverse effects but could become so, such as the effects of electric and magnetic fields. A significant safety or environmental incident, a catastrophic failure of NGET’s assets or a failure of its safety processes or of its occupational health plans, as well as the breach of NGET’s regulatory or contractual obligations or its climate change targets, could materially adversely affect NGET’s results of operations and its reputation. Safety is a fundamental priority for NGET and it commits significant resources and expenditure to process safety and to monitoring personal safety, occupational health and environmental performance, and to meeting its obligations under negotiated settlements. NGET is subject to laws and regulations governing health and safety matters to protect the public and its employees and contractors, who could potentially be harmed by these activities, as well as laws and regulations relating to pollution, the protection of the environment, and the use and disposal of hazardous substances and waste materials. These expose NGET to costs and liabilities relating to NGET’s operations and properties, including those inherited from predecessor bodies, whether currently or formerly owned by NGET, and sites used for the disposal of its waste. The cost of future environmental remediation

obligations is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and NGET's share of the liability. NGET is increasingly subject to regulation in relation to climate change and is affected by requirements to reduce its own carbon emissions as well as to enable a reduction in energy use by its customers. If more onerous requirements are imposed or NGET's ability to recover these costs under regulatory frameworks changes, then this could have a material adverse impact on NGET's business, reputation, results of operations and financial position.

### ***Infrastructure and IT systems***

*NGET may suffer a major network failure or interruption, or may not be able to carry out critical operations due to the failure of infrastructure, data or technology or a lack of supply.*

Operational performance could be materially adversely affected by a failure to maintain the health of NGET's assets or networks, inadequate forecasting of demand, inadequate record keeping or control of physical or digital data or a failure of information systems (including critical national infrastructure and business critical enterprise systems) and supporting technology. This in turn could cause NGET to fail to meet agreed standards of service, incentive and reliability targets, or to be in breach of a licence, approval, regulatory requirement or contractual obligation. Even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming NGET's reputation. Where demand for electricity exceeds supply and NGET's balancing mechanisms are not able to mitigate this fully, a lack of supply to consumers may damage its reputation. In addition to these risks, NGET may be affected by other potential events that are largely outside its control such as the impact of weather (including as a result of climate change and major storms), unlawful or unintentional acts of third parties, insufficient or unreliable supply or force majeure. Weather conditions can affect financial performance and severe weather that causes outages or damages infrastructure, together with NGET's actual or perceived response, could materially adversely affect operational and potentially business performance and NGET's reputation. Malicious attack, sabotage or other intentional acts, including breaches of NGET's cyber security, may also damage its assets (which include critical national infrastructure) or otherwise significantly affect corporate activities and, as a consequence, have a material adverse impact on its reputation, business, results of operations and financial condition. Unauthorised access to, or deliberate breaches of, NGET's IT systems may also lead to manipulation of NGET's proprietary business data or customer information. Unauthorised access to private customer information may make NGET liable for a violation of data privacy regulations. Even where NGET establishes business continuity controls and security against threats against its systems, these may not be sufficient.

### ***Customers and counterparties***

*Customers and counterparties may not perform their obligations.*

NGET's operations are exposed to the risk that customers, suppliers, banks and other financial institutions and others with whom NGET does business will not satisfy their obligations, which could materially adversely affect its financial position. This risk is significant where NGET has concentrations of receivables from electricity utilities and their affiliates, as well as industrial customers and other purchasers, and may also arise where customers are unable to pay NGET as a result of increasing commodity prices or adverse economic conditions.

To the extent that counterparties are contracted with for physical commodities and they experience events that impact their own ability to deliver, NGET may suffer supply interruption.

There is also a risk to NGET where it invests excess cash or enters into derivatives and other financial contracts with banks or other financial institutions. Banks who provide NGET with credit facilities may also fail to perform their obligations under those contracts.

## **B. Strategic and regulatory risks relating to NGET and its businesses**

*The risks described under this heading B (Strategic and regulatory risks relating to NGET and its businesses) have been categorised as strategic and regulatory risks. Strategic risk is the risk of failing to achieve NGET's overall strategic business plans and objectives, as well as failing to have the 'right' strategic plan. This introductory paragraph in italicised text forms part of the risk factors in this section but is not a risk factor itself.*

The political climate and policy decisions of NGET's regulators in 2018/19 were key considerations in assessing strategic and regulatory risks.

- By the end of RIIO T1 NGET has failed to defend existing allowances or failed to secure adequate new revenues. See "*Law and regulation*" below.
- NGET is unable to secure an acceptable RIIO – T2 outcome for the UK Regulated Businesses. See "*Law and regulation*" below.
- Competition Proxy or Special Purpose Vehicle Delivery models are introduced into NGET's license and applied to NGET projects. See "*Law and regulation*" below.
- NGET fails to manage the business according to the terms of the licenses and laws it operates under. See "*Law and regulation*" below.
- External & Political pressures adversely impact achievement of Business objectives. See "*Law and regulation*" below.
- NGET business operating model is preventing effective and efficient decision-making. See "*Growth and business development activity*" below.

Further context on NGET's strategic and regulatory risks is set out below:

### ***Law and regulation***

*Changes in law or regulation or decisions by governmental bodies or regulators and increased political and economic uncertainty could materially adversely affect NGET.*

NGET's businesses are utilities or networks subject to regulation by the U.K. government, the U.K.'s Office of Gas and Electricity Markets ("Ofgem") and other authorities. Changes in law or regulation or regulatory policy and precedent (including any changes arising as a result of the U.K.'s exit from the European Union) and/or any decisions of governmental bodies or regulators, in the countries or states in which NGET operates could materially adversely affect it. It may fail to deliver any one of its customer, investor and wider stakeholder propositions due to increased political and economic uncertainty. If NGET fails to engage in the energy policy debate, it may not be able to influence future energy policy, secure satisfactory regulatory agreements and deliver its strategy. Decisions or rulings concerning, for example: (i) the RIIO-T2 price controls and whether licences, approvals or agreements to operate or supply are granted, amended or are renewed, whether consents for construction projects are granted in a timely manner or whether there has been any breach of the terms of a licence, approval or regulatory requirement; and (ii) timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, a decoupling of energy usage and revenue and other decisions relating to the impact of general economic conditions on NGET, its markets and customers, implications of climate change and of advancing energy technologies, whether aspects of its activities are contestable, the level of permitted revenues (including the application of restrictive finance models such as 'competition proxy' or special purpose vehicle delivery models to its projects) and dividend distributions for NGET's businesses and in relation to proposed business development activities; and (iii) the nationalisation of NGET's business or any of its assets or its subsidiaries, could have a material adverse impact on NGET's results of operations, cash flows, the financial condition of its businesses and the ability to develop those businesses in the future.

### **Growth and business development activity**

*Failure by NGET to respond to external market developments and execute its growth strategy may negatively affect its performance. Conversely, new businesses or activities that NGET undertakes alone, or with partners, may not deliver target outcomes and may expose NGET to additional operational and financial risk*

Failure by NGET to grow its core business sufficiently and have viable options for new future business over the longer term or failure to respond to the threats and opportunities presented by emerging technology (including for the purposes of adapting its networks to meet the challenges of increasing distributed energy resources) could negatively affect its credibility and reputation and jeopardise the achievement of intended financial returns. NGET's business development activities and the delivery of its growth ambition involve acquisitions, disposals, joint ventures, partnering and organic investment opportunities such as development activities relating to changes to the energy mix and the integration of distributed energy resources and other advanced technologies. These are subject to a wide range of both external uncertainties (including the availability of potential investment targets and attractive financing and the impact of competition for onshore transmission) and internal uncertainties (including actual performance of National Grid and its business planning model assumptions, its ability to integrate acquired businesses effectively, as well as its decision making processes). As a result, NGET may suffer unanticipated costs and liabilities and other unanticipated effects. NGET may also be liable for the past acts, omissions or liabilities of companies or businesses it has acquired, which may be unforeseen or greater than anticipated. In the case of joint ventures, NGET may have limited control over operations and its joint venture partners may have interests that diverge from NGET's interests. The occurrence of any of these events could have a material adverse impact on NGET's results of operations or financial condition, and could also impact its ability to enter into other transactions.

### **Business performance**

*Current and future business performance may not meet NGET's expectations or those of its regulators and shareholders.*

Earnings maintenance and growth from NGET's regulated electricity business will be affected by NGET's ability to meet or exceed efficiency targets and service quality standards set by, or agreed with, its regulators. If NGET does not meet these targets and standards, it may not achieve the expected benefits, its business may be materially adversely affected and its performance, results of operations and reputation may be materially harmed and it may be in breach of regulatory or contractual obligations.

### **C. People risks**

*The risks described under this heading C (People risks) have been categorised as people risks. Building and fostering an engaged and talented team that has the knowledge, training, skills and experience to deliver NGET's strategic objectives is vital to its success. NGET is exposed to risk if it cannot attract, integrate and retain the talent it needs at all levels of the business. This introductory paragraph in italicised text forms part of the risk factor in this section but is not a risk factor itself.*

- NGET cannot attract or recruit, develop or retain people with the right skills and capabilities to deliver its strategy and UK priorities.

Further context on NGET's people risks is set out in "Employees and others" below:



## **Employees and others**

*NGET may fail to attract, develop and retain employees with the competencies, including leadership and business capabilities, values and behaviours required to deliver its strategy and vision and ensure they are engaged to act in NGET's best interests.*

NGET's ability to implement its strategy depends on the capabilities and performance of its employees and leadership at all levels of the business. Its ability to implement its strategy and vision may be negatively affected by the loss of key personnel or an inability to attract, integrate, engage and retain appropriately qualified personnel, or if significant disputes arise with its employees. As a result, there may be a material adverse effect on NGET's business, financial condition, results of operations and prospects. There is a risk that an employee or someone acting on NGET's behalf may breach its internal controls or internal governance framework or may contravene applicable laws and regulations. This could have an impact on NGET's results of operations, its reputation and its relationship with its regulators and other stakeholders.

## **D. Financial risks**

*The risks described under this heading D (Financial risks) have been categorised as financial risks. While all risks have a financial liability, financial risks are those which relate to financial controls and performance. This introductory paragraph in italicised text forms part of the risk factors in this section but is not a risk factor itself.*

Further context on NGET's financial risks is set out below:

### **Exchange rates, interest rates and commodity price indices**

*Changes in exchange rates, interest rates or commodity prices could materially impact earnings or NGET's financial condition.*

NGET's results of operations and net debt position may be affected because a significant proportion of its borrowings, derivative financial instruments and commodity contracts are affected by changes in interest rates, commodity price indices and exchange rates, in particular the dollar to sterling exchange rate. Furthermore, NGET's cash flow may be materially affected as a result of settling hedging arrangements entered into to manage its exchange rate, interest rate and commodity price exposure or by cash collateral movements relating to derivative market values, which also depend on the sterling exchange rate into Euro and other currencies.

### **Post retirement benefit contributions**

*NGET may be required to make significant contributions to its defined benefit scheme.*

NGET participates in pension schemes that cover substantially all of its employees. One of these schemes is a defined benefit scheme where the scheme assets are held independently of NGET's own financial resources. Estimates of the amount and timing of future funding for the scheme are based on actuarial assumptions and other factors including: the actual and projected market performance of the scheme assets; future long-term bond yields; average life expectancies; and relevant legal requirements. Actual performance of scheme assets may be affected by volatility in debt and equity markets. Changes in these assumptions or other factors may require NGET to make additional contributions to this pension scheme which, to the extent they are not recoverable under its price controls or state rate plans, could materially adversely affect NGET's results of operations and financial condition.

### **Financing and liquidity**

*An inability to access capital markets at commercially acceptable interest rates could affect how NGET maintains and grows its businesses.*

NGET's businesses are financed through cash generated from its ongoing operations, bank lending facilities and the capital markets, particularly the long-term debt capital markets. Some of the debt issued by NGET is rated by credit rating agencies and changes to these ratings may affect both NGET's borrowing capacity and borrowing costs. In addition, restrictions imposed by regulators may also limit how NGET services the financial requirements of its current businesses or the financing of newly acquired or developing businesses. Financial markets can be subject to periods of volatility and shortages of liquidity. If NGET were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, NGET's cost of financing may increase, the discretionary and uncommitted elements of its proposed capital investment programme may need to be reconsidered and the manner in which NGET implements its strategy may need to be reassessed. Such events could have a material adverse impact on NGET's business, results of operations and prospects.

Some of NGET's regulatory agreements impose lower limits for the long term senior unsecured debt credit ratings that certain companies within the group must hold or the amount of equity within their capital structures. One of the principal limits requires NGET to hold an investment grade long term senior unsecured debt credit rating. In addition, some of NGET's regulatory arrangements impose restrictions on the way it can operate. These include regulatory requirements for NGET to maintain adequate financial resources within certain parts of its operating businesses and may restrict the ability of NGET and some of its subsidiaries to engage in certain transactions, including paying dividends, lending cash and levying charges. The inability to meet such requirements or the occurrence of any such restrictions may have a material adverse impact on NGET's business and financial condition.

NGET's debt agreements and banking facilities contain covenants, including those relating to the periodic and timely provision of financial information by the issuing entity and financial covenants such as restrictions on the level of subsidiary indebtedness. Failure to comply with these covenants, or to obtain waivers of those requirements, could in some cases trigger a right, at the lender's discretion, to require repayment of some of NGET's debt and may restrict NGET's ability to draw upon its facilities or access the capital markets.

### **3 Factors which are material for the purpose of assessing the market risks associated with Instruments issued under the Programme**

#### ***Risks related to the structure of certain types of Instruments which may be issued under the Programme***

A wide range of Instruments may be issued under the Programme. A number of these Instruments may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

##### ***Instruments subject to optional redemption by the relevant Issuer.***

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

Such Issuer may be expected to redeem Instruments when its cost of borrowing is lower than the interest rate on the Instruments. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Instruments being redeemed and

may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Index Linked Instruments*

The Issuer may issue Instruments with principal and/or interest determined by reference to an index derived from either (i) the RPI, (ii) the HICP, (iii) the CPI or (iv) the CPIH. Potential investors in such Instruments should be aware that:

- (i) the market price of such Instruments may be volatile;
- (ii) they may receive no interest;
- (iii) they may risk losing part of, or the entirety of, their investment, for example, if exchange rates or any other relevant index moves sufficiently in an unanticipated direction;
- (iv) payment of principal or interest may occur at a different time than expected;
- (v) the amount of principal payable at redemption may be less than the nominal amount of such Instruments or even zero (for example, if the value of the relevant index falls below the value of the relevant index applicable at the Issue Date, then the amount of principal payable at the time of redemption may be less than the nominal amount of the Instrument);
- (vi) an index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; and
- (vii) the timing of changes in an index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the relevant index, the greater the effect on yield.

*Future changes or uncertainty with respect to LIBOR and/or EURIBOR and/or other relevant benchmarks may adversely affect the value of Floating Rate Instruments which reference LIBOR and/or EURIBOR and/or other relevant benchmarks.*

The Issuer may issue Floating Rate Instruments, the interest rate on which fluctuates according to fluctuations in a specified interest rate benchmark. Reference rates and indices, including interest rate benchmarks used to determine the amounts payable under financial instruments or the value of such financial instruments (“Benchmarks”) including (but not limited to) LIBOR and EURIBOR, have in recent years been the subject of political and regulatory scrutiny and reform globally.

In the EU, changes have been implemented pursuant to the Benchmarks Regulation, applicable since 1 January 2018. In the United Kingdom, the Financial Conduct Authority, which regulates LIBOR, has announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The continued publication of LIBOR on the current basis cannot be guaranteed after 2021. Similar regulatory developments in relation to other Benchmarks may lead to similar consequences for such other Benchmarks. Developments in this area are ongoing and could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark, such that market participants are discouraged from continuing to administer or contribute to a Benchmark. These reforms and changes may also cause a Benchmark to perform differently than it has done in the past, to be discontinued or have other consequences which cannot be predicted. See also the risk factor headed, “– Floating Rate Instruments – Benchmark Discontinuation” below.

Accordingly, in respect of an Instrument referencing a relevant Benchmark, such reforms and changes in applicable regulation could have a material adverse effect on the market value of and return on such an Instrument (including potential rates of interest thereon).

### *Floating Rate Instruments – Benchmark Discontinuation*

#### *(i) Temporary unavailability of the Relevant Screen Page*

Where Screen Rate Determination is specified as the manner in which the Rate of Interest (or any component part thereof) (as defined in Condition 3.8) in respect of Floating Rate Instruments is to be determined, the Terms and Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (as defined in Condition 3.8) (or its successor or replacement). In circumstances where such Original Reference Rate (as defined in Condition 3.10.7) is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Terms and Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date (as defined in Condition 3.8) before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Instruments.

#### *(ii) Benchmark Events*

Benchmark Events (as defined in Condition 3.10.7) include (amongst other events) the permanent discontinuation of an Original Reference Rate. If the Issuer determines that a Benchmark Event has occurred, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser (as defined in Condition 3.10.7). After consulting with the Independent Adviser, the Issuer shall endeavour to determine a Successor Rate or, failing which, an Alternative Rate (each as defined in Condition 3.10.7) to be used in place of the Original Reference Rate. If the Issuer is unable to appoint an Independent Adviser it may make such determinations and adjustments by itself and in making such determinations and adjustments, the Issuer may be entitled to exercise substantial discretion.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Issuer, the Terms and Conditions provide that the Issuer may vary the Terms and Conditions, the Agency Agreement and/or the Trust Deed as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Instrumentholders.

If a Successor Rate or Alternative Rate is determined by the Issuer, the Terms and Conditions also provide that an Adjustment Spread (as defined in Condition 3.10.7) will be determined by the Issuer and applied to such Successor Rate or Alternative Rate.

The use of any Successor Rate or Alternative Rate to determine the Rate of Interest and the application of an Adjustment Spread may result in the Instruments performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

#### *(iii) Potential for a fixed rate return*

The Issuer may not be able to determine a Successor Rate or Alternative Rate in accordance with the Terms and Conditions of the Instruments.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or is unable to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period (as defined in Condition 3.8) will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where

the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to determine a Successor Rate or Alternative Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser as soon as reasonably practicable before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate and an Adjustment Spread to apply to the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in Instruments linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

If the Issuer fails to determine a Successor Rate or Alternative Rate for the life of the relevant Instruments, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This risks the Floating Rate Instruments, in effect, becoming fixed rate Instruments.

#### *(iv) ISDA Determination*

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Instruments is to be determined, the Terms and Conditions provide that the Rate of Interest in respect of the Instruments shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the relevant Floating Rate Instruments.

#### *Fixed/Floating Rate Instruments*

The Issuer may issue Fixed/Floating Rate Instruments under the Programme which bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Instruments since such Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If such Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Instruments may be less favourable than the prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Instruments. If such Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Instruments.

#### *Instruments issued at a substantial discount or premium*

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

### *Exchange rate risks and exchange controls may impact the Instruments*

The Issuer may issue Instruments in any currency. The relevant Issuer will pay principal and interest on the Instruments in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Instruments, (2) the Investor's Currency equivalent value of the principal payable on the Instruments and (3) the Investor's Currency equivalent market value of the Instruments.

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

### *Interest rate risks relevant to Fixed Rate Instruments*

The Issuer may issue Instruments which pay a fixed rate of Interest. Investment in Fixed Rate Instruments involves the risk that if market interest rates increase during the life of the Instruments (for example, if the prevailing bank interest rate in the relevant investor's jurisdiction were to increase), this could result in the rate of interest for the time being payable under the terms of the Instruments becoming relatively less attractive which may in turn adversely affect the value of Fixed Rate Instruments.

### *Instruments issued as "green", "sustainable" or other equivalently-labelled bonds ("Eligible Bonds") may not be a suitable investment for all investors seeking exposure to eligible assets*

The Final Terms relating to any specific Tranche of Instruments may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Instruments specifically for projects and activities that promote climate-friendly and other environmental purposes ("Eligible Projects"). Prospective investors should have regard to the information set out in the relevant Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Instruments together with any other investigation such investor deems necessary.

In particular, no assurance is given by the Issuer or any Dealer that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. None of the Dealers shall be responsible for the ongoing monitoring of the use of proceeds in respect of any such Instruments.

Furthermore, it should be noted that there is currently no clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Instruments and in particular with any Eligible Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Instruments. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Instruments. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Instruments are listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Instruments or, if obtained, that any such listing or admission to trading will be maintained during the life of the Instruments.

While it is the intention of the Issuer to apply the proceeds of any Instruments so specified for Eligible Projects in, or substantially in, the manner described in the relevant Final Terms, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Instruments.

Any such event or failure to apply the proceeds of any issue of Instruments for any Eligible Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Instruments no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Instruments and also potentially the value of any other Instruments which are intended to finance Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

### ***Risks related to all Instruments issued under the Programme***

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

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

The Terms and Conditions of the Instruments contain provisions for calling meetings of Instrumentholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind

all Instrumentholders including Instrumentholders who did not attend and vote at the relevant meeting and Instrumentholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Instruments also provide that the Trustee may, without the consent of Instrumentholders, agree to (a) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error; (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Instrumentholders; (c) any Benchmark Amendments (as defined in the Conditions) required by the Issuer pursuant to Condition 3.10.1 or 3.10.4; or (d) the substitution of another company as principal debtor under any Instruments in place of the relevant Issuer, in the circumstances described in Condition 11 of the Terms and Conditions of the Instruments.

#### *Change of law*

The Terms and Conditions of the Instruments except Australian Domestic Instruments are based on English law in effect as at the date of issue of the relevant Instruments. The Terms and Conditions of the Australian Domestic Instruments are governed by and shall be construed in accordance with the laws in force in New South Wales, Australia, save that the provisions of Condition 9 (Events of Default) shall be interpreted so as to have the same meaning as they would have if they were governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English or Australian law, as the case may be, or to administrative practice after the date of issue of the relevant Instruments and any such change could materially adversely impact the value of any investments affected by it.

#### *Specified Denominations*

The Instruments are issued in the Specified Denomination shown in the relevant Final Terms. Such Final Terms may also state that the Instruments will be tradable in the Specified Denomination and integral multiples in excess thereof but which are smaller than the Specified Denomination. Where such Instruments are traded in the clearing systems, it is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the Specified Denomination.

If Definitive Instruments are required to be issued in relation to such Instruments, a holder who does not hold a principal amount of Instruments at least equal to the Specified Denomination in his account at the relevant time, may not receive all of his entitlement in the form of Definitive Instruments and, consequently, may not be able to receive interest or principal in respect of all of his entitlement, unless and until such time as his holding becomes at least equal to the Specified Denomination.

#### *The secondary market for Instruments issued under the Programme*

Instruments may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Instruments easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Instruments that are especially sensitive to interest rates, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Instruments generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Instruments.

#### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to a relevant Issuer on an issue of Instruments. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Instruments. A credit



rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

## DOCUMENTS INCORPORATED BY REFERENCE

Each Base Prospectus and Listing Particulars should be read and construed in conjunction with:

- (i) the pages of the Annual Reports and Accounts of National Grid for the financial years ended 31 March 2018 and 31 March 2019 set out in the table below (<https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/reports/2017-18/annual-report-and-accounts.pdf> and <https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/reports/2018-19/ng-annual-report-and-accounts-2018-19.pdf>);
- (ii) the pages of the Annual Reports and Accounts of NGET for the financial years ended 31 March 2018 and 31 March 2019 set out in the table below (<https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/reports/2017-18/NGET%20FY18%20ARA%20210618%20-%20signed.pdf> and <https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/reports/2018-19/FY19%20NGET%20ARA.pdf>);
- (iii) the Terms and Conditions set out in pages 36 to 75 of the prospectus dated 2 August 2011 relating to the Programme ([https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/EMTN-programmes-documents/NG-NGET-EMTN-documents/NATIONAL\\_GRID\\_PLC\\_\\_NATIONAL\\_GRID\\_ELECTRICITY\\_02082011.pdf](https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/EMTN-programmes-documents/NG-NGET-EMTN-documents/NATIONAL_GRID_PLC__NATIONAL_GRID_ELECTRICITY_02082011.pdf)); and
- (iv) the Terms and Conditions set out on pages 25 to 66 of the prospectus dated 2 August 2018 relating to the Programme ([https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/EMTN-programmes-documents/NG-NGET-EMTN-documents/NATIONAL\\_GRID\\_PLC\\_\\_NATIONAL\\_GRID\\_ELECTRICITY\\_02082018.pdf](https://investors.nationalgrid.com/~media/Files/N/National-Grid-IR-V2/EMTN-programmes-documents/NG-NGET-EMTN-documents/NATIONAL_GRID_PLC__NATIONAL_GRID_ELECTRICITY_02082018.pdf)),

each of which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Conduct Authority or filed with it. Such documents shall be deemed to be incorporated in, and form part of the relevant Base Prospectus and the relevant Listing Particulars, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of the relevant Base Prospectus and the relevant Listing Particulars to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the relevant Base Prospectus or the relevant Listing Particulars. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Those parts of the Annual Reports and Accounts for each of National Grid and NGET for the financial years ended 31 March 2018 and 31 March 2019, as applicable, and those parts of the information memoranda and prospectuses dated 2 August 2011 and 2 August 2018 which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Instruments or the relevant information is included elsewhere in this Prospectus.

The tables below set out the page number references for certain sections of the Annual Reports and Accounts of each of NGET and National Grid, as the case may be, for the financial years ended 31 March 2018 and 31 March 2019 (as applicable). The sections denoted by these page number references are incorporated by reference herein:

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## **SUPPLEMENTAL PROSPECTUS**

In respect of any Instruments to be listed on the Market, if at any time an Issuer shall be required to prepare a supplemental prospectus pursuant to Article 23 of the Prospectus Regulation (“Supplemental Prospectus”), such Issuer will prepare and make available to the public an appropriate amendment or supplement to this Prospectus which shall constitute a Supplemental Prospectus as required by the FCA and Article 23 of the Prospectus Regulation.

## **SUPPLEMENTARY LISTING PARTICULARS**

In respect of any PSM Instruments, if at any time any of the Issuers shall be required to prepare supplementary listing particulars pursuant to Section 81 of the FSMA, such Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which, in respect of any subsequent issue of PSM Instruments, shall constitute supplementary listing particulars as required by the FCA and Section 81 of the FSMA.

## TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following is the text of the terms and conditions which, save for the text in italics and subject to completion by Part A of the relevant Final Terms, will be endorsed on the Instruments in definitive form (if any) issued in exchange for the Global Instrument(s) representing each Series and incorporated by reference into each Australian Domestic Instrument. Either (a) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (b) these terms and conditions as so completed (and subject to simplification by the dis-application of non-applicable provisions), shall be endorsed on such definitive Instruments. All capitalised terms which are not defined in these Conditions will have the meanings given to them in the Trust Deed or Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Instruments and incorporated by reference into each Australian Domestic Instrument. In the case of PSM Instruments issued under the Programme, references to the Final Terms in these Conditions shall be construed as references to the Pricing Supplement.*

References in these terms and conditions (the “Conditions”) to “Instruments” (as defined below) are to the Instruments of one Series only of the relevant Issuer (as defined below), not to all Instruments that may be issued under the Programme.

National Grid plc (“National Grid”) and National Grid Electricity Transmission plc (“NGET”) (each an “Issuer” and together, the “Issuers”) have established a Euro Medium Term Note Programme (the “Programme”) for the issuance of up to Euro 15,000,000,000 in aggregate principal amount of debt instruments (the “Instruments”). The Instruments, other than the Australian Domestic Instruments (as defined below), are constituted by a Trust Deed (as amended or supplemented from time to time, the “Trust Deed”) dated 30 July 2019 between the Issuers and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Instrumentholders (as defined below). These Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Definitive Instruments, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented from time to time, the “Agency Agreement”) dated 30 July 2019 has been entered into in relation to the Instruments (other than the Australian Domestic Instruments) between the Issuers, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agent(s) named in it. The issuing and paying agent, the paying agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Issuing and Paying Agent”, the “Paying Agents” (which expression shall include the Issuing and Paying Agent) and the “Calculation Agent(s)”.

Instruments (the “Australian Domestic Instruments”) may be issued under a deed poll (as amended or supplemented from time to time, the “Australian Deed Poll”) dated 10 September 2012 made by the Issuers in favour of the Trustee and the holders of those Instruments. The provisions of these Conditions relating to Coupons and Talons (each as defined below) do not apply to Australian Domestic Instruments. An agency and registry agreement (as amended or supplemented from time to time, the “Australian Agency and Registry Agreement”) dated 10 September 2012 has been entered into in relation to the Australian Domestic Instruments between the Issuers and BTA Institutional Services Australia Ltd as issuing and paying agent and registrar (the “Australian Issuing and Paying Agent” and the “Australian Registrar”). The Australian Registrar will maintain a register of holders of the Australian Domestic Instruments (the “Australian Register”). References in these terms and conditions to the Agent and the Paying Agent and the Agency Agreement shall, in relation to the Australian Domestic Instruments, be a reference to the Australian Issuing and Paying Agent and the Australian Agency and Registry Agreement respectively.

Copies of the Trust Deed, the Agency Agreement and the Australian Agency and Registry Agreement are available for inspection during usual business hours at the registered office of the Trustee (as at 30 July 2019 at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents.

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

## 1 Form, Denomination and Title

The Instruments are issued in:

- (a) bearer form in the Specified Denomination(s) specified in the relevant Final Terms and are serially numbered; or
- (b) in the case of Australian Domestic Instruments, registered uncertificated (or inscribed) form and are constituted by the Australian Deed Poll,

as specified in the relevant Final Terms.

Instruments of one Specified Denomination are not exchangeable for Instruments of another Specified Denomination. Australian Domestic Instruments may not be exchanged for Instruments in bearer form and Instruments in bearer form may not be exchanged for Australian Domestic Instruments.

This Instrument is a Fixed Rate Instrument, a Floating Rate Instrument, a Zero Coupon Instrument, an Index Linked Interest Instrument or an Index Linked Redemption Instrument or a combination of any of the preceding, depending upon the Interest and Redemption/Payment Basis specified in the relevant Final Terms.

Instruments are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Instruments in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Talons may be required if more than twenty seven coupon payments are to be made with regards to the relevant Instruments.

Title to the Instruments and Coupons and Talons shall pass by delivery and except as ordered by a court of competent jurisdiction or as required by law, the Issuer and the Paying Agents shall be entitled to treat the bearer of any Instrument, Coupon or Talon as the absolute owner of that Instrument, Coupon or Talon, as the case may be, and shall not be required to obtain any proof of ownership as to the identity of the bearer.

In these Conditions, “Instrumentholder” means the bearer of any Instrument of one Series only of an Issuer, “holder” (in relation to an Instrument, Coupon or Talon) means the bearer of any Instrument, Coupon or Talon and capitalised terms have the meanings given to them herein, the absence of any such meaning indicating that such term is not applicable to the Instruments.

In the case of Australian Domestic Instruments, the following provisions apply and prevail over the foregoing provisions of this Condition 1 to the extent of any inconsistency.

Australian Domestic Instruments will be debt obligations of the Issuer constituted by the Australian Deed Poll and will take the form of entries in the Australian Register to be established and maintained by the Australian Registrar in Sydney, or such other place specified in the applicable Final Terms agreed by the Issuer with the Australian Registrar. The relevant Issuer will arrange for the Australian Registrar to maintain the Australian Register so as to show at all times such details of the Instrumentholders and the Australian Domestic Instruments as are required to be shown on the Australian Register by or for the effective operation of these Conditions or by law or which the relevant Issuer and Australian Registrar determine should be shown in the Australian Register. Although Australian Domestic Instruments will not be constituted by the Trust Deed, Australian Domestic Instruments will have the benefit of, and be issued subject to, certain other provisions of the Trust Deed. The Agency Agreement is not applicable to Australian

Domestic Instruments. In relation to Australian Domestic Instruments, the expression “Instrumentholder” or “holder” means a person (or persons) whose name is for the time being entered in the Australian Register as the holder of an Australian Domestic Instrument. For the avoidance of doubt, where an Australian Domestic Instrument is entered into the Austraclear System, the expressions “Instrumentholder” or “holder” in respect of that Australian Domestic Instrument means Austraclear as operator of the Austraclear System.

Australian Domestic Instruments will not be serially numbered, unless otherwise agreed with the Australian Registrar. Each entry in the Australian Register constitutes a separate and individual acknowledgement to the Trustee on behalf of, and to, the relevant Instrumentholder of the indebtedness of the relevant Issuer to the Trustee on behalf of, and to, the relevant Instrumentholder. The obligations of the relevant Issuer in respect of each Australian Domestic Instrument constitute separate and independent obligations which the Instrumentholder and the Trustee are entitled to enforce in accordance with (and subject to) these Conditions, the Trust Deed and the Australian Deed Poll. No certificate or other evidence of title will be issued by or on behalf of the relevant Issuer to evidence title to an Australian Domestic Instrument unless the relevant Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

No Australian Domestic Instrument will be registered in the name of more than four persons. Australian Domestic Instruments registered in the name of more than one person are held by those persons as joint tenants. Australian Domestic Instruments will be registered by name only, without reference to any trusteeship and an entry in the Australian Register in relation to an Australian Domestic Instrument constitutes conclusive evidence that the person so entered is the absolute owner of such Instrument, subject to rectification for fraud or error.

Title to an Australian Domestic Instrument and all rights and entitlements arising by virtue of the Australian Deed Poll or the Trust Deed in respect of that Australian Domestic Instrument vest absolutely in the registered owner of the Australian Domestic Instrument, subject to rectification of the Australian Register for fraud or error, such that no person who has previously been registered as the owner of the Australian Domestic Instrument has or is entitled to assert against the Issuer or the Australian Registrar or the registered owner of the Australian Domestic Instrument for the time being and from time to time any rights, benefits or entitlements in respect of the Australian Domestic Instrument.

Australian Domestic Instruments may be transferred in whole but not in part. Australian Domestic Instruments will be transferred by duly completed and (if applicable) stamped transfer and acceptance forms in the form specified by, and obtainable from, the Australian Registrar or by any other manner approved by the Issuer and the Australian Registrar. Australian Domestic Instruments entered in the Austraclear System (as defined below) will be transferable only in accordance with the Austraclear Regulations (as defined below).

Unless the Australian Domestic Instruments are lodged in the Austraclear System, application for the transfer of Australian Domestic Instruments must be made by the lodgement of a transfer and acceptance form with the Australian Registrar. Each transfer and acceptance form must be accompanied by such evidence (if any) as the Australian Registrar may require to prove the title of the transferor or the transferor’s right to transfer the Australian Domestic Instruments and must be signed by both the transferor and the transferee.

The transferor of an Australian Domestic Instrument is deemed to remain the holder of that Australian Domestic Instrument until the name of the transferee is entered in the Australian Register in respect of that Australian Domestic Instrument. Transfers will not be registered later than eight days prior to the Maturity Date of the Australian Domestic Instrument.

Australian Domestic Instruments may only be transferred within, to or from Australia if:



- (a) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the offer or invitation giving rise to the transfer otherwise does not require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the *Corporations Act 2001* of Australia (“Australian Corporations Act”);
- (b) the transferee is not a “retail client” as defined in section 761G of the Australian Corporations Act;
- (c) the transfer is in compliance with all applicable laws, regulations and directives (including, without limitation, in the case of a transfer to or from Australia, the laws of the jurisdiction in which the transfer takes place); and
- (d) in the case of a transfer between persons outside Australia, if a transfer and acceptance form is signed outside Australia.

A transfer to an unincorporated association is not permitted.

Transfers will be registered without charge provided taxes, duties or other governmental charges (if any) imposed in relation to the transfer have been paid.

A person becoming entitled to an Australian Domestic Instrument as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the Australian Registrar considers sufficient, transfer the Australian Domestic Instrument or, if so entitled, become registered as the holder of the Australian Domestic Instrument.

Where the transferor executes a transfer of less than all Australian Domestic Instruments registered in its name, and the specific Australian Domestic Instruments to be transferred are not identified, the Australian Registrar may register the transfer in respect of such of the Australian Domestic Instruments registered in the name of the transferor as the Australian Registrar thinks fit, provided the aggregate principal amount of the Australian Domestic Instruments registered as having been transferred equals the aggregate principal amount of the Australian Domestic Instruments expressed to be transferred in the transfer.

In this Condition 1:

“Austraclear” means Austraclear Limited (ABN 94 002 060 773).

“Austraclear Regulations” means the rules and regulations established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System.

“Austraclear System” means the system operated by Austraclear for holding securities and the electronic recording and settling of transactions in those securities between members of that system.

## **2 Status and Negative Pledge**

### **2.1 Status**

The Instruments and the Coupons relating to them constitute direct, unconditional and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves. The payment obligations of the Issuer under the Instruments and Coupons shall, subject to such exceptions as are from time to time applicable under the laws of England and, in relation to Instruments issued by National Grid, as provided in Condition 2.2, rank equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Issuer.

### **2.2 Negative Pledge**

So long as any Instrument or Coupon of National Grid remains outstanding (as defined in the Trust Deed) National Grid will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“Security”) upon the whole or any part of its undertaking,

assets or revenues present or future to secure any Relevant Indebtedness, or any guarantee of or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, National Grid's obligations under the Instruments, the Coupons and the Trust Deed (a) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, in each case to the satisfaction of the Trustee, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Instrumentholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Instrumentholders.

For the purposes of these Conditions, "Relevant Indebtedness" means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are for the time being, or are intended, with the agreement of the Issuer, to be quoted, listed or ordinarily dealt in on any stock exchange.

### **3 Interest**

#### **3.1 Interest on Fixed Rate Instruments**

Each Fixed Rate Instrument bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, payable in arrear on each Interest Payment Date. The amount of Interest payable shall be determined in accordance with Condition 3.6.

If a Fixed Coupon Amount or a Broken Amount is specified in the relevant Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount, or, if applicable, the Broken Amount so specified and in the case of a Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Final Terms.

#### **3.2 Interest on Floating Rate Instruments and Index Linked Interest Instruments**

##### *3.2.1 Interest Payment Dates*

Each Floating Rate Instrument and Index Linked Interest Instrument bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of Interest payable shall be determined in accordance with Condition 3.6. Such Interest Payment Date(s) is/are either specified in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period specified in the relevant Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

##### *3.2.2 Business Day Convention*

If any date which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is (a) the Floating Rate Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (b) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day, (c) the Modified Following Business Day Convention, such date shall be postponed to the next

day which is a Business Day unless it would then fall into the next calendar month, in that event such date shall be brought forward to the immediately preceding Business Day or (d) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

### 3.2.3 *Rate of Interest for Floating Rate Instruments*

The Rate of Interest in respect of Floating Rate Instruments for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Final Terms.

- (a) ISDA Determination: Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (a), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate which would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (a), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

- (b) Screen Rate Determination:
- (i) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:
    - (x) the offered quotation; or
    - (y) the arithmetic mean of the offered quotations,  
(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at (1) 11.00 a.m. London time, in the case of LIBOR ("LIBOR"); or (2) 11:00 a.m. Brussels time, in the case of EURIBOR ("EURIBOR"); or (3) 10:10 a.m. Sydney time, in the case of AUD-BBR-BBSW; or (4) 10:00 a.m. Toronto time, in the case of CAD-BA-CDOR; or (5) 11:00 a.m. Hong Kong time, in the case of HKD-HIBOR-HIBOR=; or (6) 11:00 a.m. Frankfurt time, in the case of EUR-ISDA-EURIBOR Swap Rate-11:00, on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (ii) If the Relevant Screen Page is not available or if, sub-paragraph (i)(x) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (i)(y) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is AUD-BBR-BBSW, the principal office of each of the Reference Banks or, if the Reference Rate is CAD-BA-CDOR, the principal Toronto office of each of the Reference Banks or, if the Reference Rate is EUR-ISDA-EURIBOR Swap Rate-11:00, the principal office of each of the Reference Banks or, if the Reference Rate is HKD-HIBOR-HIBOR=, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is: (1) LIBOR, at approximately 11.00 a.m. (London time), or (2) EURIBOR, at approximately 11.00 a.m. (Brussels time), or (3) AUD-BBR-BBSW, at approximately 10:00 a.m. (Sydney time), or (4) CAD-BA-CDOR, at 10:00 a.m. (Toronto time) or (5) EUR-ISDA-EURIBOR Swap Rate-11:00, at approximately 11:00 a.m. (Frankfurt time), or (6) HKD-HIBOR-HIBOR=, at approximately 11:00 a.m. (Hong Kong time), on the Interest Determination Date in question. If, two (in the case of LIBOR, EURIBOR, CAD-BA-CDOR or HKD-HIBOR-HIBOR=); or five (in the case of AUD-BBR-BBSW); or three (in the case of EUR-ISDA-EURIBOR Swap Rate-11:00), or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.;
- (iii) If paragraph (ii) above applies and the Calculation Agent determines that fewer than the specified number of Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be (1) in case the Reference Rate is either LIBOR or EURIBOR, the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the

Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be; (2) in case the Reference Rate is AUD-BBR-BBSW, the rate shall then be determined by the Calculation Agent having regard to the comparable indices then available; (3) in case the Reference Rate is EUR-ISDA-EURIBOR Swap Rate-11:00, the rate shall be the arithmetic mean of the mid-market annual swap rate quotations provided by the principal office of each of the Reference Banks, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); (4) in case the Reference Rate is CAD-BA-CDOR, the arithmetic mean of the bid rates as communicated to (and at the request of) the Calculation Agent by Schedule I chartered banks in Toronto, for Canadian Dollar bankers acceptances for a period of the applicable Interest Period in an amount representative for a single transaction in the relevant market at the relevant time accepted by those banks as of 10:00 a.m. Toronto time; and (5) in the case of HKD-HIBOR-HIBOR, the arithmetic mean of the quotations as communicated to (and at the request of) the Calculation Agent by major banks in Hong Kong, for loans in Hong Kong Dollars to leading European banks for a period of the applicable maturity as at approximately 11:00 a.m. Hong Kong time, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (iv) If the Reference Rate from time to time in respect of Floating Rate Instruments is specified in the applicable Final Terms as being "BBSW", the Rate of Interest in respect of such Instruments for the relevant Interest Period shall be the average mid rate for Bills (having the meaning that term has in the *Bills of Exchange Act* 1909 of Australia) having a tenor closest to the relevant Interest Period displayed on the "BBSW" page of the Reuters Monitor System on the first day of that Interest Period, plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. However, if the average mid rate is not displayed by 10:30 am on that day, or if it is displayed but the Calculation Agent determines that there is an obvious error in that rate, the Rate of Interest in respect of such Instruments for the relevant Interest Period shall be determined by the Calculation Agent in good faith at approximately 10:30 am on that day, having regard, to the extent possible, to the mid rate of the rates otherwise bid and offered for bank accepted Bills of that tenor at or around that time.
- (c) Linear Interpolation: Where Linear Interpolation is specified in the relevant Final Terms as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the relevant Final Terms as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified in the relevant Final Terms as applicable), one of which shall be determined

as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer, in consultation with an independent adviser appointed by the Issuer acting in good faith and in a commercially reasonable manner as an expert in its reasonable discretion, determines appropriate.

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

#### 3.2.4 *Rate of Interest for Index Linked Interest Instruments*

The Rate of Interest in respect of Index Linked Interest Instruments for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue accordingly.

### 3.3 **Zero Coupon Instruments**

Where an Instrument, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Instrument. As from the Maturity Date, the Rate of Interest for any overdue principal of such an Instrument shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 5.4.1(ii)).

### 3.4 **Accrual of Interest**

Interest shall cease to accrue on each Instrument on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 3 to the Relevant Date (as defined in Condition 7).

### 3.5 **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding**

- (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 3.2.3(b) above, by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.
- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be

rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency which is available as legal tender in the country of such currency.

### **3.6 Calculations**

The amount of interest payable per Calculation Amount in respect of any Instrument for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount as specified in the relevant Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Instrument for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

### **3.7 Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts**

The Calculation Agent shall as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Instrumentholders, any other Calculation Agent appointed in respect of the Instruments that is to make a further calculation upon receipt of such information and, if the Instruments are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 3.2.3(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Instruments become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

### **3.8 Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Business Day” means:

- (a) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency (which in the case of: (i) Canadian dollars is Toronto except when the Reference Rate is LIBOR, then the financial centres are London and Toronto; and (ii) in the case of Australian dollars is Sydney); and/or
- (b) in the case of Euro, a day on which the TARGET System is operating (a "TARGET Business Day"); and/or
- (c) in the case of a currency and/or one or more Business Centres as specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency or, if no currency is indicated, generally in each of the Business Centres.

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

- (a) if "Actual/Actual" or "Actual/Actual-ISDA" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if "Actual/365 (Fixed)" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (c) if "Actual/360" is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (d) "if "30/360", "360/360" or "Bond Basis" is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

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

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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



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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

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

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

- (g) if “Actual/Actual-ICMA” is specified in the relevant Final Terms:

- (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (x) the actual number of days in such Determination Period and (y) the number of Determination Periods in any year; and

- (ii) if the Calculation Period is longer than one Determination Period, the sum of:

- (1) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (a) the actual

number of days in such Determination Period and (b) the number of Determination Periods in any year; and

- (2) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (a) the actual number of days in such Determination Period and (b) the number of Determination Periods in any year,

where:

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

“Determination Date” means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date;

- (h) if “RBA Bond Basis” or “Australian Bond Basis” is specified in the relevant Final Terms, one divided by the number of Interest Payment Dates in each 12 month period or, where the relevant period does not constitute an Interest Period, the product of:
- (i) one divided by the number of Interest Payment Dates in each 12 month period; and
  - (ii) the number of days in the relevant period divided by the actual number of days in the Interest Period ending on the next Interest Payment Date; and
- (i) if “Actual/Actual Canadian Compound Method” is specified in the applicable Final Terms, whenever it is necessary to compute any amount of accrued interest in respect of the Instruments for a period of less than one full year, other than in respect of any specified Interest Amount, such interest will be calculated on the basis of the actual number of days in the Calculation Period and a year of 365 days.

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

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

“Interest Amount” means:

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

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

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (a) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (b) the day

falling two Business Days in London prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (c) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the relevant Business Day Convention.

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

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

“ISDA Definitions” means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., as may be supplemented or amended from time to time.

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

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of the relevant Final Terms.

“Reference Banks” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the relevant Final Terms, in the case of AUD-BBR-BBSW, the financial institutions authorised to quote on the Reuters Screen BBSW Page, in the case of CAD-BA-CDOR, four major Canadian Schedule I chartered banks, in the case of HKD-HIBOR-HIBOR=, four major banks in the Hong Kong interbank market and in the case of EUR-ISDA-EURIBOR Swap Rate-11:00, five leading swap dealers in the interbank market.

“Reference Rate” means the rate specified as such in the relevant Final Terms.

“Relevant Screen Page” means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Final Terms.

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

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor to it.

### **3.9 Calculation Agent**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Instrument is outstanding. Where more than one Calculation Agent is appointed in respect of the Instruments, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) which is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as specified in this paragraph.

### **3.10 Benchmark Discontinuation**

This Condition 3.10 applies only where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined.

#### **3.10.1 Independent Adviser**

Notwithstanding Conditions 3.2.3(b)(ii) and 3.2.3(b)(iii), if the Issuer determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to advise the Issuer in determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3.10.2) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 3.10.4).

In making such determination and any other determination pursuant to this Condition 3.10, the Issuer shall act in good faith and in a commercially reasonable manner. In the absence of fraud, the Independent Adviser shall have no liability whatsoever to the Trustee, the Paying Agents, or the Instrumentholders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 3.10.

If the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3.10.1 prior to the date three Business Days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Instruments in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 3.10.

### **3.10.2 Successor Rate or Alternative Rate**

If the Issuer, following consultation with the Independent Adviser or acting alone, as the case may be, determines that:

- (a) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Instruments (subject to the operation of this Condition 3.10); or
- (b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Instruments (subject to the operation of this Condition 3.10).

### **3.10.3 Adjustment Spread**

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

### **3.10.4 Benchmark Amendments**

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 3.10 and the Issuer, following consultation with the Independent Adviser, determines (i) that amendments to these Terms and Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (provided that the amendments do not, without the consent of the Calculation Agent, impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions attached to it) (such amendments, the "Benchmark Amendments") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 3.10.5, without any requirement for the consent or approval of Instrumentholders, vary these Conditions, the Agency Agreement and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee and the Issuing and Paying Agent of a certificate signed by two Directors of the Issuer pursuant to Condition 3.10.5, the Trustee and the Issuing and Paying Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Instrumentholders, be obliged to concur with the Issuer in using its reasonable endeavours to effect any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed) and the Trustee and the Issuing and Paying Agent shall not be liable to any party for any consequences thereof, provided that the Trustee and the Issuing and Paying Agent shall not be obliged so to concur if in the opinion of the Trustee or the Issuing and Paying Agent doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 3.10.4, the Issuer shall comply with the rules of any stock exchange on which the Instruments are for the time being listed or admitted to trading.

### **3.10.5 Notices, etc.**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 3.10 will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 13, the Instrumentholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

- (a) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 3.10; and
- (b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

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

### **3.10.6 Survival of Original Reference Rate**

Without prejudice to the obligations of the Issuer under Condition 3.10.1, 3.10.2, 3.10.3 and 3.10.4, the Original Reference Rate and the fallback provisions provided for in Condition 3.2.3 will continue to apply unless and until the Issuer determines that a Benchmark Event has occurred and the relevant Paying Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with Condition 3.10.5.

### **3.10.7 Definitions**

As used in this Condition 3.10:

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

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)
- (b) the Issuer, following consultation with the Independent Adviser or acting alone, as the case may be, determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original

Reference Rate; or (if the Issuer determines that no such spread is customarily applied)

- (c) the Issuer, following consultation with the Independent Adviser or acting alone, as the case may be, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

“Alternative Rate” means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser, determines is customarily applied in international debt capital markets transactions for the purposes of determining floating rates of interest (or the relevant component part thereof) in the same Specified Currency as the Instruments.

“Benchmark Amendments” has the meaning given to it in Condition 3.10.4.

“Benchmark Event” means:

- (1) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or
- (2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (3) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Instruments; or
- (5) a public statement by the regulatory supervisor for the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative or may no longer be used or
- (6) it has or will become unlawful for any Paying Agent, the Calculation Agent or the Issuer to calculate any payments due to be made to any Instrumentholders using the Original Reference Rate,

provided that in the case of sub-paragraphs (2), (3), (4) and (5), the Benchmark Event shall be deemed to occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

“Independent Adviser” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its own expense under Condition 3.10.1 and notified in writing to the Trustee.

“Original Reference Rate” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Instruments or, if applicable, any other Successor or Alternative Rate (or any component part thereof) determined and applicable to the Instruments pursuant to the earlier operation of Condition 3.10.

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

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

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

## 4 Indexation

This Condition 4 is applicable only if the relevant Final Terms specifies the Instruments as Index Linked Instruments.

### 4.1 Definitions

For the purposes of Conditions 4.1 to 4.6, unless the context otherwise requires, the following defined terms shall have the following meanings:

“Base Index Figure” means (subject to Condition 4.3(i)) the base index figure as specified in the relevant Final Terms;

“CPI” means the U.K. Consumer Prices Index (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace the U.K. Consumer Prices Index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any). Where CPI is specified as the Index in the relevant Final Terms, any reference to the “Index Figure” which is specified in the relevant Final Terms as:

- (i) applicable to the first calendar day of any month shall, subject as provided in Conditions 4.3 and 4.5, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (ii) applicable to any other day in any month shall, subject as provided in Conditions 4.3 and 4.5, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in paragraph (i) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in paragraph (i) above and rounded to the nearest fifth decimal place.

“CPIH” means the all items consumer prices index including owner occupiers’ housing costs and council tax for the United Kingdom published by the Office for National Statistics (January 2015 = 100) or any comparable index which may replace the all items consumer prices index including owner occupiers’ housing costs and council tax for the United Kingdom for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any). Where CPIH is specified as the Index in the relevant Final Terms, any reference to the “Index Figure” which is specified in the relevant Final Terms as:

- (i) applicable to the first calendar day of any month shall, subject as provided in Conditions 4.3 and 4.5, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or



- (ii) applicable to any other day in any month shall, subject as provided in Conditions 4.3 and 4.5, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in paragraph (i) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in paragraph (i) above and rounded to the nearest fifth decimal place;

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

“Index” means, subject as provided in Condition 4.3(i), either CPI, CPIH or RPI as specified in the relevant Final Terms;

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

“Index Figure” has the definition given to such term in the definition of “CPI”, “CPIH” or “RPI”, as applicable;

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

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

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

“Limited Indexation Factor” means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

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

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

“Redemption Date” means any date on which the Instruments are redeemed in accordance with Condition 4.6, Condition 5.1, Condition 5.2, Condition 5.4, Condition 5.5, Condition 5.6 or Condition 5.7;

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

“RPI” means the U.K. Retail Prices Index (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the U.K. Retail Prices Index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Where RPI is specified as the Index in the relevant Final Terms, any reference to the “Index Figure” which is specified in the relevant Final Terms as:

- (i) applicable to a particular month, shall, subject as provided in Conditions 4.3 and 4.5, be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication; or
- (ii) applicable to the first calendar day of any month shall, subject as provided in Conditions 4.3 and 4.5, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (iii) applicable to any other day in any month shall, subject as provided in Conditions 4.3 and 4.5, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in paragraph (ii) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in paragraph (ii) above and rounded to the nearest fifth decimal place.

#### **4.2 Application of the Index Ratio**

Each payment of interest and principal in respect of the Instruments shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Index Linked Instruments applicable to the month or date, as the case may be, in or on which such payment falls to be made and rounded in accordance with Condition 3.5.

#### **4.3 Changes in Circumstances Affecting the Index**

- (i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (1) the definition of “Index” and “Index Figure” in Condition 4.1 shall be deemed to refer to the new date, or month or year (as applicable) in substitution for January 1987 (where RPI is specified as the Index in the relevant Final Terms) or 2015 (where CPI or CPIH is specified as the Index in the relevant Final Terms) (or, as the case may be, to such other date, month or year as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure for the date on which such substitution takes effect, divided by the Index Figure for the date immediately preceding the date on which such substitution takes effect.
- (ii) Delay in publication of RPI if paragraph (i) of the definition of Index Figure for RPI is applicable: If the Index Figure which is normally published in the seventh month and which relates to the eighth month (the “relevant month”) before the month in which a payment is due to be made is not published on or before the fourteenth business day before the date on which such payment is due (the “date for payment”), the Index Figure applicable to the month in which the date for payment falls shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the U.K. Government for such purpose) for

the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 4.3(i)) before the date for payment.

- (iii) Delay in publication of relevant Index if paragraph (i) and/or (ii) of the definition of Index Figure for CPI or CPIH is applicable or if paragraph (ii) and/or (iii) of the definition of Index Figure for RPI is applicable: If the Index Figure relating to any month (the “calculation month”) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth business day before the date on which such payment is due (the “date for payment”), the Index Figure applicable for the relevant calculation month shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the U.K. Government for such purpose) for the purposes of indexation of payments on the Reference Gilt or the Indexed Benchmark Gilt (as applicable) or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 4.3(i)) before the date for payment.

#### **4.4 Application of Changes**

Where the provisions of Condition 4.3(ii) or Condition 4.3(iii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 4.3(ii)(2) or Condition 4.3(iii)(2), the Index Figure relating to the relevant month or relevant calculation month, as the case may be, is subsequently published while an Instrument is still outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Instrument other than upon final redemption of such Instrument, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 4.3(ii)(2) or Condition 4.3(iii)(2) below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and
- (ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

#### **4.5 Material Changes to or Cessation of the Index**

- (i) Material changes to the relevant Index:
  - (a) CPI and CPIH: Where CPI or CPIH is specified in the relevant Final Terms as the Index and:
    - (1) if notice is published by Her Majesty’s Treasury, or on its behalf, following a change to the coverage or the basic calculation of such Index, then the Calculation Agent shall make any such adjustments to the Index consistent with

any adjustments made to the Index as applied to the relevant Indexed Benchmark Gilt; or

- (2) any change is made to the coverage or the basic calculation of such Index which constitutes a fundamental change which would, in the opinion of either the Issuer or the Trustee (acting solely on the advice of an Indexation Adviser), be materially prejudicial to the interests of the Issuer or the Instrumentholders, as the case may be, the Issuer or the Trustee (as applicable) shall give written notice of such occurrence to the other party.

Promptly after the giving of such notice, the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Instruments one or more adjustments to CPI or CPIH (as applicable) or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Instrumentholders in no materially better and no materially worse position than they would have been had the relevant fundamental change to CPI or CPIH (as applicable) not been made.

If the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned above, a bank or other person in London shall be appointed by the Issuer and the Trustee or, failing agreement on and the making of such appointment within 20 Business Days following the expiry of the 20 day period referred to above, by the Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the "Expert"), to determine for the purpose of the Instruments one or more adjustments to CPI or CPIH (as applicable) or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Instrumentholders in no materially better and no materially worse position than they would have been had the relevant fundamental change to CPI or CPIH (as applicable) not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer.

- (b) RPI: Where RPI is specified in the relevant Final Terms as the Index and if notice is published by Her Majesty's Treasury, or on its behalf, following a change to the coverage or the basic calculation of such Index, then the Calculation Agent shall make any such adjustments to the Index consistent with any adjustments made to the Index as applied to the Reference Gilt.

- (ii) Cessation of the relevant Index:

If the Trustee and the Issuer have been notified by the Calculation Agent that the relevant Index has ceased to be published, or if Her Majesty's Treasury or the Office for National Statistics, as the case may be, or a person acting on its behalf, announces that it has ceased to publish the relevant Index, then the Calculation Agent shall determine a successor index *in lieu* of any previously applicable index (the "Successor Index") by using the following methodology:

- (a) if at any time a successor index has been designated by Her Majesty's Treasury in respect of the Reference Gilt, such successor index shall be designated the

“Successor Index” for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraph (b) or (c) below. This provision will only be applicable when RPI is specified in the relevant Final Terms as the Index; or

- (b) the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Instruments one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Instrumentholders in no materially better and no materially worse position than they would have been had the Index not ceased to be published. If the relevant Final Terms specify RPI as the Index then this paragraph (b) will only be applicable provided the Successor Index has not been determined under paragraph (a) above; or
  - (c) if the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (ii), a bank or other person in London shall be appointed by the Issuer and the Trustee or, failing agreement on and the making of such appointment within 20 business days following the expiry of the 20 day period referred to above, by the Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the “Expert”), to determine for the purpose of the Instruments one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Instrumentholders in no materially better and no materially worse position than they would have been had the Index not ceased to be published. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer.
- (iii) Adjustment or replacement: The Index shall be adjusted or replaced by a substitute index pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the Trustee and the Instrumentholders, and the Issuer shall give notice to the Instrumentholders in accordance with Condition 14 of such amendments as promptly as practicable following such notification or adjustment.

#### **4.6 Redemption for Index Reasons**

If either (i) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 4.3(ii)(2) or 4.3 (iii)(2), as applicable and the Trustee has been notified by the Calculation Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty’s Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt or the Indexed Benchmark Gilt (as applicable), and (in either case) no amendment or substitution of the Index shall have been designated by Her Majesty’s Treasury in respect of the Reference Gilt or the Indexed Benchmark Gilt (as applicable) to the Issuer and such circumstances are continuing, the Issuer may, upon giving not more than 60 nor less than 30 days’ notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms) in accordance with Condition 14, redeem all, but not some only, of the Instruments at their principal amount together with interest

accrued but unpaid up to and including the date of redemption (in each case adjusted in accordance with Condition 4.2).

#### 4.7 HICP

Where HICP (as defined below) is specified as the Index or Index Level (each as defined below) in the relevant Final Terms, the Conditions 4.7 to 4.10 will apply. For purposes of Conditions 4.7 to 4.10, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“Base Index Level” means the base index level as specified in the relevant Final Terms;

“Index” or “Index Level” means (subject as provided in Condition 4.9) the non-revised Harmonised Index of Consumer Prices excluding tobacco or relevant Successor Index (as defined in Condition 4.9 (i)), measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by Eurostat (the “HICP”). The first publication or announcement of a level of such index for a calculation month (as defined in Condition 4.9 (i)) shall be final and conclusive and later revisions to the level for such calculation month will not be used in any calculations. Any reference to the Index Level which is specified in these Conditions as applicable to any day (“d”) in any month (“m”) shall, subject as provided in Condition 4.9, be calculated as follows:

$$I_d = \text{HICP}_{m-3} + \frac{nb d}{qm} \times (\text{HICP}_{m-2} - \text{HICP}_{m-3})$$

where:

$I_d$  is the Index Level for the day d

HICP m-2 is the level of HICP for month m-2

HICP m-3 is the level of HICP for month m-3

nb d is the actual number of days from and excluding the first day of month m to but including day d; and

$q_m$  is the actual number of days in month m,

provided that if Condition 4.9 applies, the Index Level shall be the Substitute Index Level determined in accordance with such Condition.

“Index Business Day” means a day on which the TARGET System is operating;

“Index Determination Date” means in respect of any date for which the Index Level is required to be determined, the fifth Index Business Day prior to such date;

“Index Ratio” applicable to any date means the Index Level applicable to the relevant Index Determination Date divided by the Base Index Level and rounded to the nearest fifth decimal place, 0.000005 being rounded upwards;

“Related Instrument” means an inflation-linked bond selected by the Calculation Agent that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity date after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Calculation Agent. The Calculation Agent will select the Related Instrument from such of those inflation-linked bonds issued on or before the relevant Issue

Date and, if there is more than one such inflation-linked bond maturing on the same date, the Related Instrument shall be selected by the Calculation Agent from such of those bonds. If the Related Instrument is redeemed the Calculation Agent will select a new Related Instrument on the same basis, but selected from all eligible bonds in issue at the time the originally selected Related Instrument is redeemed (including any bond for which the redeemed originally selected Related Instrument is exchanged).

#### **4.8 Application of the Index Ratio**

Each payment of interest and principal in respect of the Instruments shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio applicable to the date on which such payment falls to be made and rounded in accordance with Condition 3.5.

#### **4.9 Changes in Circumstances Affecting the Index**

(i) Delay in publication of Index

(a) If the Index Level relating to any month (the “calculation month”) which is required to be taken into account for the purposes of the determination of the Index Level for any date (the “Relevant Level”) has not been published or announced by the day that is five Business Days before the date on which such payment is due (the “Affected Payment Date”), the Calculation Agent shall determine a Substitute Index Level (as defined below) (in place of such Relevant Level) by using the following methodology:

- (1) if applicable, the Calculation Agent will take the same action to determine the “Substitute Index Level” for the Affected Payment Date as that taken by the calculation agent (or any other party performing the function of a calculation agent (whatever such party’s title)) pursuant to the terms and conditions of the Related Instrument;
- (2) if (1) above does not result in a Substitute Index Level for the Affected Payment Date for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

$$\text{Substitute Index Level} = \text{Base Level} \times (\text{Latest Level} / \text{Reference Level})$$

Where:

“Base Level” means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined;

“Latest Level” means the latest level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) prior to the month in respect of which the Substitute Index Level is being calculated; and

“Reference Level” means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month that is 12 calendar months prior to the month referred to in “Latest Level” above.

(b) If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Interest Payment Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 4.9(i) will be the definitive level for that calculation month.

- (ii) Cessation of publication: If the Index Level has not been published or announced for two consecutive months or Eurostat announces that it will no longer continue to publish or announce the Index then the Calculation Agent shall determine a successor index in lieu of any previously applicable Index (the "Successor Index") by using the following methodology:
- (a) if at any time (other than after an Early Termination Event (as defined below) has been designated by the Calculation Agent pursuant to paragraph (e) below) a successor index has been designated by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Instrument, such successor index shall be designated the "Successor Index" for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraph (b), (c) or (d) below; or
  - (b) if a Successor Index has not been determined under paragraph (a) above (and there has been no designation of an Early Termination Event pursuant to paragraph (e) below), and a notice has been given or an announcement has been made by Eurostat (or any successor entity which publishes such index) specifying that the Index will be superseded by a replacement index specified by Eurostat (or any such successor), and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index from the date that such replacement index comes into effect; or
  - (c) if a Successor Index has not been determined under paragraph (a) or (b) above (and there has been no designation of an Early Termination Event pursuant to paragraph (e) below), the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "Successor Index". If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the "Successor Index". If fewer than three responses are received, the Calculation Agent will proceed to paragraph (d) below;
  - (d) if no Successor Index has been determined under paragraph (a), (b) or (c) above on or before the fifth Index Business Day prior to the next Affected Payment Date the Calculation Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed the "Successor Index";
  - (e) if the Calculation Agent determines that there is no appropriate alternative index, the Issuer and the Instrumentholders shall, in conjunction with the Calculation Agent, determine an appropriate alternative index. If the Issuer and the Instrumentholders, in conjunction with the Calculation Agent, do not reach agreement on an appropriate alternative index within a period of ten Business Days, then an Early Termination Event will be deemed to have occurred and the Issuer will redeem the Instruments pursuant to Condition 4.10.
- (iii) Rebasing of the Index: If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the "Rebased Index") will be used for the purposes of determining each relevant Index Level from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent (or any other party performing the function of a calculation agent (whatever



such party's title)) pursuant to the terms and conditions of the Related Instrument to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made.

- (iv) **Material Modification Prior to Interest Payment Date:** If, on or prior to the day that is five Business Days before an Interest Payment Date, Eurostat announces that it will make a material change to the Index then the Calculation Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Instrument.
- (v) **Manifest Error in Publication:** If, within 30 days of publication, the Calculation Agent determines that Eurostat (or any successor entity which publishes such index) has corrected the level of the Index to remedy a manifest error in its original publication, the Calculation Agent will notify the parties of (a) that correction, (b) the amount that is payable as a result of that correction and (c) take such other action as it may deem necessary to give effect to such correction.

#### **4.10 Redemption for Index Reasons**

If an Early Termination Event as described under Condition 4.9(ii)(e) is deemed to have occurred, the Issuer will, upon giving not more than 60 nor less than 30 days' notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms) in accordance with Condition 14, redeem all, but not some only, of the Instruments at their principal amount together with interest accrued but unpaid up to and including the date of redemption (in each case adjusted in accordance with Condition 4.8).

## **5 Redemption, Purchase and Options**

### **5.1 Final Redemption**

Unless previously redeemed, purchased and cancelled as provided below, this Instrument will be redeemed at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) on the Maturity Date specified in the relevant Final Terms provided, however, that if this Instrument is a Perpetual Instrument it will only be redeemable and repayable in accordance with the following provisions of this Condition 5.

### **5.2 Redemption for Taxation Reasons**

If, on the occasion of the next payment in respect of the Instruments the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that it would be unable to make such payment without having to pay additional amounts as described in Condition 7, and such requirement to pay such additional amounts arises by reason of a change in the laws of the United Kingdom or any political sub-division of the United Kingdom or taxing authority in the United Kingdom or any political sub-division of the United Kingdom or in the interpretation or application of the laws of the United Kingdom or any political sub-division of the United Kingdom or in any applicable double taxation treaty or convention, which change becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Instruments, and such requirement cannot be avoided by the Issuer taking reasonable measures (such measures not involving any material additional payments by, or expense for, the Issuer), the Issuer may, at its option, at any time, having given not less than 30 nor more than 45 days' notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms) in accordance with Condition 14, redeem all, but not some only, of the Instruments at their Early Redemption Amount together with interest accrued to the date of redemption provided that the date fixed for redemption shall not be earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or make such withholding or deduction, as the case may be, were a payment in respect of the Instruments then due. Prior to the publication of any

notice of redemption pursuant to this Condition 5.2, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the requirement referred to above cannot be avoided by the Issuer taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out above in which event it shall be conclusive and binding on Instrumentholders and Couponholders.

### **5.3 Purchases**

The Issuer and any of its subsidiary undertakings may at any time purchase Instruments (provided that all unmatured Coupons and unexchanged Talons appertaining to them are attached or surrendered with them) in the open market or otherwise at any price.

### **5.4 Early Redemption**

#### *5.4.1 Zero Coupon Instruments*

- (i) The Early Redemption Amount payable in respect of any Zero Coupon Instrument, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Instrument pursuant to Condition 5.2 or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Instrument unless otherwise specified in the relevant Final Terms.
- (ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Instrument shall be the scheduled Final Redemption Amount of such Instrument on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is specified in the relevant Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Instruments if they were discounted back to their issue price on the Issue Date) compounded annually.
- (iii) If the Early Redemption Amount payable in respect of any such Instrument upon its redemption pursuant to Condition 5.2 or, if applicable, Condition 5.5 or 5.6 or upon it becoming due and payable as provided in Condition 9, is not paid when due, the Early Redemption Amount due and payable in respect of such Instrument shall be the Amortised Face Amount of such Instrument as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference in that sub-paragraph to the date on which the Instrument becomes due and payable was replaced by a reference to the Relevant Date as defined in Condition 7. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Instrument on the Maturity Date together with any interest that may accrue in accordance with Condition 3.2.

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

#### *5.4.2 Other Instruments*

The Early Redemption Amount payable in respect of any Instrument (other than Instruments described in Condition 5.4.1), upon redemption of such Instrument pursuant to this Condition 5.4 or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.

## 5.5 Redemption at the Option of the Issuer and Exercise of Issuer's Options

- 5.5.1 If (i) Residual Holding Call Option is specified in the relevant Final Terms, and (ii) if at any time the Residual Holding Percentage or more of the aggregate nominal amount of Instruments originally issued shall have been redeemed or purchased and cancelled, the Issuer shall have the option to redeem such outstanding Instruments in whole, but not in part, at their Residual Holding Redemption Amount. Unless otherwise specified in the relevant Final Terms, the Residual Holding Redemption Amount will be calculated by the Calculation Agent by discounting the outstanding nominal amount of the Instruments and the remaining interest payments (if applicable) to the Maturity Date by a rate per annum (expressed as a percentage to the nearest one hundred thousandth of a percentage point (with halves being rounded up)) equal to the Benchmark Yield, being the yield on the Benchmark Security at the close of business on the third Business Day prior to the date fixed for such redemption, plus the Benchmark Spread. Where the specified calculation is to be made for a period of less than one year, it shall be calculated using the Benchmark Day Count Fraction. The Issuer will give not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders and the Trustee of any such redemption pursuant to this Condition 5.5.1.
- 5.5.2 If Call Option is specified in the relevant Final Terms, the Issuer may, unless an Exercise Notice has been given pursuant to Condition 5.6 or 5.7, on giving not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of such Instruments on any Optional Redemption Date(s) or Option Exercise Date, as the case may be. Any such redemption of Instruments shall be at their Optional Redemption Amount together with interest accrued to but excluding the date fixed for redemption. Any such redemption or exercise must relate to Instruments of a nominal amount at least equal to the minimum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms and no greater than the maximum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms.

All Instruments in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Instrumentholders shall also contain the serial numbers of the Instruments to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, listing authority and stock exchange requirements.

- 5.5.3 If Make-whole Redemption Option is specified in the relevant Final Terms as applicable, the Issuer may, unless an Exercise Notice has been given pursuant to Condition 5.6 or 5.7, on giving not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of such Instruments on any Make-whole Redemption Date(s). Any such redemption of Instruments shall be at an amount equal to the higher of the following, in each case together with interest accrued to but excluding the date fixed for redemption:
- (i) the nominal amount of the Instrument; and
  - (ii) the nominal amount of the Instrument multiplied by the price (as reported in writing to the Issuer and the Trustee by a financial adviser (the "Financial Adviser") appointed by the Issuer and approved by the Trustee) expressed as a percentage (rounded to

the nearest fifth decimal places, 0.000005 being rounded upwards) at which the Gross Redemption Yield on the Instruments on the Determination Date specified in the Final Terms is equal to the Gross Redemption Yield at the Quotation Time specified in the relevant Final Terms on the Determination Date of the Reference Bond specified in the relevant Final Terms (or, where the Financial Adviser advises the Trustee that, for reasons of illiquidity or otherwise, such Reference Bond is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend) plus any applicable Redemption Margin specified in the Final Terms.

Any such redemption or exercise must relate to Instruments of a nominal amount at least equal to the minimum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms and no greater than the maximum nominal amount (if any) permitted to be redeemed specified in the relevant Final Terms.

All Instruments in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Instrumentholders shall also contain the serial numbers of the Instruments to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, listing authority and stock exchange requirements.

In this Condition:

"Gross Redemption Yield" means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Trustee by the Financial Adviser.

## **5.6 Redemption at the Option of Instrumentholders following a Restructuring Event**

### *5.6.1 [Redemption of Instruments issued by National Grid at the option of Instrumentholders*

If at any time whilst any of the Instruments issued by National Grid remains outstanding, there occurs the National Grid Restructuring Event, a Public Announcement shall be made and if, within the National Grid Restructuring Period, either:

- (i) (if at the time that the National Grid Restructuring Event occurs there are Rated Securities) a Rating Downgrade in respect of the National Grid Restructuring Event occurs; or
- (ii) (if at the time that the National Grid Restructuring Event occurs there are no Rated Securities) a Negative Rating Event in respect of the National Grid Restructuring Event occurs,

(the National Grid Restructuring Event and Rating Downgrade or the National Grid Restructuring Event and Negative Rating Event, as the case may be, occurring within the National Grid Restructuring Period, together called a "Put Event"),

then the holder of each Instrument issued by National Grid will have the option upon the giving of a Put Notice (as defined in Condition 5.6.4) to require National Grid to redeem or, at the option of National Grid, purchase (or procure the purchase of) such Instrument on the Put Date (as defined in Condition 5.6.4) at its principal amount together with accrued interest to the Put Date.

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\* Only applicable where National Grid is the Issuer.

Promptly upon National Grid becoming aware that a Put Event has occurred, National Grid shall, or at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution of the Instrumentholders, the Trustee shall, give notice (a "Put Event Notice") to the Instrumentholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure (as set out in Condition 5.6.4) for exercising the option contained in this Condition 5.6.1.

National Grid shall, forthwith upon becoming aware of the occurrence of the National Grid Restructuring Event (a) provide the Trustee with the relevant Directors' Report and (b) provide or procure that the Reporting Accountants provide the Trustee with the Accountants' Report. The Directors' Report and the Accountants' Report shall, in the absence of manifest error, be conclusive and binding on all concerned, including the Trustee and the Instrumentholders. The Trustee shall be entitled to act, or not act, and rely on without being expected to verify the accuracy of the same (and shall have no liability to Instrumentholders for doing so) any Directors' Report and/or any Accountants' Report (whether or not addressed to it).

**5.6.2 *For the purposes of this Condition***

"Accountants' Report" means a report of the Reporting Accountants stating whether the amounts included in the calculation of the Operating Profit and the amount for Consolidated Operating Profit as included in the Directors' Report have been accurately extracted from the accounting records of National Grid and its Subsidiaries and whether the Disposal Percentage included in the Directors' Report has been correctly calculated which will be prepared pursuant to an engagement letter to be entered into by the Reporting Accountants, National Grid and the Trustee.

National Grid shall use reasonable endeavours to procure that there shall at the relevant time be Reporting Accountants who have (a) entered into an engagement letter with National Grid and the Trustee which shall (i) not limit the liability of the Reporting Accountants to the Trustee by reference to a monetary cap and (ii) be available for inspection by Instrumentholders at the principal office of the Trustee or (b) agreed to provide Accountants' Reports on such other terms as National Grid and the Trustee shall approve. If National Grid, having used reasonable endeavours, is unable to procure that there shall at the relevant time be Reporting Accountants who have entered into an engagement letter complying with (i) above, the Trustee may rely on an Accountants' Report which contains a limit on the liability of the Reporting Accountants by reference to a monetary cap or otherwise.

Investors should be aware that the engagement letter may contain a limit on the liability of the Reporting Accountants which may impact on the interests of Instrumentholders.

National Grid shall give notice to the Trustee of the identity of the Reporting Accountants;

"Consolidated Operating Profit" means the consolidated operating profit on ordinary activities before tax and interest and before taking account of depreciation and amortisation of goodwill and regulatory assets (for the avoidance of doubt, exceptional items, as reflected in the Relevant Accounts shall not be included) of National Grid and its subsidiaries (including any share of operating profit of associates and joint ventures) determined in accordance with International Financial Reporting Standards ("IFRS") by reference to the Relevant Accounts;

"Directors' Report" means a report prepared and signed by two directors of National Grid addressed to the Trustee setting out the Operating Profit, the Consolidated Operating Profit

and the Disposal Percentage and stating any assumptions which the Directors of National Grid have employed in determining the Operating Profit;

“Disposal Percentage” means, in relation to a sale, transfer, lease or other disposal or dispossession of any Disposed Assets, the ratio of (a) the aggregate Operating Profit to (b) the Consolidated Operating Profit, expressed as a percentage;

“Disposed Assets” means, where National Grid and/or any of its Subsidiaries sells, transfers, leases or otherwise disposes of or is dispossessed by any means (but excluding sales, transfers, leases, disposals or dispossessions which, when taken together with any related lease back or similar arrangements entered into in the ordinary course of business, have the result that Operating Profit directly attributable to any such undertaking, property or assets continues to accrue to National Grid or, as the case may be, such Subsidiary), otherwise than to a wholly-owned Subsidiary of National Grid or to National Grid, of the whole or any part (whether by a single transaction or by a number of transactions whether related or not) of its undertaking or (except in the ordinary course of business of National Grid or any such Subsidiary) property or assets, the undertaking, property or assets sold, transferred, leased or otherwise disposed of or of which it is so dispossessed;

“Negative Rating Event” shall be deemed to have occurred if either (a) National Grid does not, either prior to or not later than 21 days after the relevant National Grid Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating of the Instruments or any other unsecured and unsubordinated debt of National Grid having an initial maturity of five years or more (“Rateable Debt”) from a Rating Agency or (b) if National Grid does so seek and use such endeavours, it is unable, as a result of such National Grid Restructuring Event, to obtain such a rating of at least investment grade (BBB- or Baa3 or their respective equivalents for the time being), provided that a Negative Rating Event shall not be deemed to have occurred in respect of a particular National Grid Restructuring Event if the Rating Agency declining to assign a rating of at least investment grade (as described above) does not announce or publicly confirm that its declining to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable National Grid Restructuring Event (whether or not the National Grid Restructuring Event shall have occurred at the time such investment grade rating is declined);

“National Grid Restructuring Event” shall be deemed to have occurred at any time (whether or not approved by the Board of Directors of National Grid) that the sum of Disposal Percentages for National Grid within any period of 36 months commencing on or after the issue date of the first Tranche of the Instruments is greater than 50 per cent.;

“National Grid Restructuring Period” means the period ending 90 days after a Public Announcement (or such longer period in which the Rated Securities or Rateable Debt, as the case may be, is or are under consideration (announced publicly within the first mentioned period) for rating review or, as the case may be, rating by a Rating Agency);

“Operating Profit”, in relation to any Disposed Assets, means the operating profits on ordinary activities before tax and interest and before taking account of depreciation and amortisation of goodwill and regulatory assets (for the avoidance of doubt, exceptional items, as reflected in the Relevant Accounts, shall not be included) of National Grid and its Subsidiaries directly attributable to such Disposed Assets as determined in accordance with IFRS by reference to the Relevant Accounts and, if Relevant Accounts do not yet exist, determined in a manner consistent with the assumptions upon which the Directors’ Report is to be based. Where the

Directors of National Grid have employed assumptions in determining the Operating Profit, those assumptions should be clearly stated in the Directors' Report;

"Public Announcement" means an announcement by National Grid or the Trustee, of the occurrence of the National Grid Restructuring Event published in a leading national newspaper having general circulation in the United Kingdom (which is expected to be the *Financial Times*);

"Rated Securities" means the Instruments, if and for so long as they shall have an effective rating from a Rating Agency and otherwise any Rateable Debt which is rated by a Rating Agency; *provided that* if there shall be no such Rateable Debt outstanding prior to the maturity of the Instruments, the holders of not less than one-quarter in principal amount of outstanding Instruments may require National Grid to obtain and thereafter update on an annual basis a rating of the Instruments from a Rating Agency. In addition, National Grid may at any time obtain and thereafter update on an annual basis a rating of the Instruments from a Rating Agency, *provided that*, except as provided above, National Grid shall not have any obligation to obtain such a rating of the Instruments;

"Rating Agency" means S&P Global Ratings Europe Limited and its successors or Moody's Investors Service Ltd. and its successors or any rating agency substituted for either of them (or any permitted substitute of them) by National Grid from time to time with the prior written approval of the Trustee;

"Rating Downgrade" shall be deemed to have occurred in respect of the National Grid Restructuring Event if the then current rating whether provided by a Rating Agency at the invitation of National Grid or by its own volition assigned to the Rated Securities by any Rating Agency is withdrawn or reduced from an investment grade rating (BBB- or Baa3 or their respective equivalents for the time being or better) to a non-investment grade rating (BB+ or Ba1 or their respective equivalents for the time being or worse) or, if a Rating Agency shall already have rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category; provided that a Rating Downgrade otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular National Grid Restructuring Event if the Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable National Grid Restructuring Event (whether or not the applicable National Grid Restructuring Event shall have occurred at the time of the Rating Downgrade);

"Relevant Accounts" means the most recent annual audited consolidated financial accounts of National Grid and its Subsidiaries preceding the relevant sale, transfer, lease or other disposal or dispossession of any Disposed Asset;

"Reporting Accountants" means the Auditors of National Grid (but not acting in their capacity as auditors) or such other firm of accountants as may be nominated by National Grid and approved in writing by the Trustee for the purpose or, failing which, as may be selected by the Trustee for the purpose; and

"Subsidiary" means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and "Subsidiaries" shall be construed accordingly.

- 5.6.3 The Trustee shall not be responsible for ascertaining or monitoring whether or not the National Grid Restructuring Event, a Negative Rating Event or a Rating Downgrade in relation

to National Grid has occurred and, unless and until it has actual knowledge to the contrary, shall be entitled to assume that no such event has occurred.

5.6.4 To exercise the option of redemption of an Instrument under Condition 5.6.1 the Instrumentholder must deliver each Instrument to be redeemed accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "Put Notice") and, in which the Instrumentholder may specify an account to which payment is to be made under this Condition 5.6 to the specified office of any Paying Agent on any business day falling within the period (the "Put Period") of 45 days after a Put Event Notice is given. The Instrument should be delivered together with all Coupons (and Talons) appertaining thereto maturing after the date (the "Put Date") falling seven days after the expiry of the Put Period, failing which (unless Condition 6.6.1 applies) the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon and/or Talon. Any amount so paid will be reimbursed in the manner provided in Condition 6 against presentation and surrender of the relevant missing Coupon and/or Talon, subject to Condition 8. The Paying Agent to which such Instrument and Put Notice are delivered will issue to the Instrumentholder concerned a non-transferable receipt in respect of the Instrument so delivered. Payment in respect of any Instrument so delivered will be made, if the Instrumentholder duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date in the manner provided in Condition 6 against presentation and surrender (or, in the case of part payment, endorsement) of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of the Conditions and the Trust Deed, receipts issued pursuant to this Condition 5.6 shall be treated as if they were Instruments. National Grid shall redeem the relevant Instruments on the Put Date unless previously redeemed or purchased.]

5.6.1 <sup>\*</sup>[*Redemption of Instruments issued by NGET at the option of Instrumentholders*

If NGET Restructuring Put Option is specified in the relevant Final Terms and at any time whilst any of the Instruments issued by NGET remains outstanding there occurs an NGET Restructuring Event and in relation to that NGET Restructuring Event, a Negative Certification is made and, within the NGET Restructuring Period either:

- (i) (if at the time that an NGET Restructuring Event occurs there are Rated Securities) a Rating Downgrade in respect of the relevant NGET Restructuring Event occurs; or
- (ii) (if at the time that an NGET Restructuring Event occurs there are no Rated Securities) a Negative Rating Event in respect of the relevant NGET Restructuring Event occurs,

(the NGET Restructuring Event and Rating Downgrade or the NGET Restructuring Event and Negative Rating Event, as the case may be, occurring within the NGET Restructuring Period, together with a Negative Certification, shall be called a "Put Event"),

then the holder of each Instrument of NGET will have the option upon the giving of a Put Notice (as defined in Condition 5.6.4) to require NGET to redeem or, at the option of NGET, purchase (or procure the purchase of) such Instrument on the Put Date (as defined in Condition 5.6.4) at its principal amount together with accrued interest to the Put Date.

Promptly upon NGET becoming aware that a Put Event has occurred, and in any event no later than 14 days after the occurrence of a Put Event, NGET shall, or at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the

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<sup>\*</sup> Only applicable where NGET is the Issuer.



holders of at least one-quarter in principal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution of the Instrumentholders, the Trustee shall, give notice (a "Put Event Notice") to the Instrumentholders in accordance with Condition 14 specifying the nature of the Put Event and the procedure (as set out in Condition 5.6.4) for exercising the option contained in this Condition 5.6.1.

5.6.2 *For the purposes of this Condition*

"Electricity Act" means the Electricity Act 1989 as amended or re-enacted from time to time and all subordinate legislation made pursuant thereto;

"Electricity Transmission Licence" means the transmission licence, as subsequently amended from time to time, originally granted by the Secretary of State for Energy to NGET under the Electricity Act;

"Negative Certification" means, on the occurrence of an NGET Restructuring Event, such event or events being certified in writing by an independent financial adviser appointed by NGET and approved by the Trustee (or, if NGET shall not have appointed such an adviser within 21 days after becoming aware of the occurrence of such NGET Restructuring Event, appointed by the Trustee (following consultation with NGET)) as being in its opinion materially prejudicial to the interests of the Instrumentholders. Any Negative Certification by an independent financial adviser as to whether or not, in its opinion, any event defined as an NGET Restructuring Event is materially prejudicial to the interests of the Instrumentholders shall, in the absence of manifest error, be conclusive and binding upon NGET, the Trustee, the Instrumentholders and the Couponholders;

"Negative Rating Event" shall be deemed to have occurred if NGET is unable as a result of an NGET Restructuring Event to obtain a rating of the Instruments or of any other comparable unsecured and unsubordinated debt of NGET (or of any Subsidiary of NGET and which is guaranteed on an unsecured and unsubordinated basis by NGET) having an initial maturity of five years or more ("Rateable Debt") from a Rating Agency of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being), which rating NGET shall use all reasonable endeavours to obtain, provided that a Negative Rating Event shall not be deemed to have occurred in respect of a particular NGET Restructuring Event if the Rating Agency making the relevant reduction or declining to assign a rating of at least investment grade (as described above) does not announce or publicly confirm or otherwise inform the Trustee that the reduction or its declining to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable NGET Restructuring Event;

"NGET Restructuring Event" means the occurrence of any one or more of the following events:

- (a) the Secretary of State for Trade and Industry or any official succeeding to his functions gives NGET written notice of revocation of the Electricity Transmission Licence in accordance with the terms as to revocation set out in Schedule 2 of the Electricity Transmission Licence, such revocation to become effective not later than the Maturity Date of the Instruments or NGET agrees in writing with the Secretary of State for Trade and Industry or any official succeeding to his functions to any revocation or surrender of the Electricity Transmission Licence or any legislation (whether primary or subordinate) is enacted terminating or revoking the Electricity Transmission Licence;
- (b) any modification is made to the terms and conditions of the Electricity Transmission Licence other than such a modification which the Trustee, in its opinion, considers to

be not materially prejudicial to the interests of the Instrumentholders and has so confirmed in writing to NGET; or

- (c) any legislation (whether primary or subordinate) is enacted removing, reducing or qualifying the duties or powers of the Secretary of State for Trade and Industry or any official succeeding to his functions and/or the Gas and Electricity Markets Authority under Section 3A of the Electricity Act as compared with those in effect on the issue date of the first Tranche of the Instruments other than such legislation which the Trustee, in its opinion, considers to be not materially prejudicial to the interests of the Instrumentholders and has so confirmed in writing to NGET;

“NGET Restructuring Period” means:

- (a) if at the time at which the NGET Restructuring Event occurs there are Rated Securities, the period of 90 days starting from and including the day on which an NGET Restructuring Event occurs or such longer period in which the Rated Securities are under consideration (announced publicly within such 90 day period) for rating review by a Rating Agency; or
- (b) if at the time at which an NGET Restructuring Event occurs there are no Rated Securities, the period starting from and including the day on which an NGET Restructuring Event occurs and ending on the day 90 days following the date on which a Negative Certification shall have been given to NGET in respect of that NGET Restructuring Event;

“Rated Securities” means (a) the Instruments or (b) such other comparable unsecured and unsubordinated debt of NGET (or of any Subsidiary of NGET and which is guaranteed on an unsecured and unsubordinated basis by NGET) having an initial maturity of five years or more selected by NGET from time to time for the purpose of this definition with the approval of the Trustee and which possesses an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) by any Rating Agency (whether at the invitation of NGET or by its own volition);

“Rating Agency” means S&P Global Ratings Europe Limited or any of its Subsidiaries and their successors or Moody’s Investors Service Ltd., or any of its Subsidiaries and their successors or any rating agency substituted for either of them (or any permitted substitute of them) by NGET from time to time with the prior written approval of the Trustee;

“Rating Downgrade” shall be deemed to have occurred in respect of an NGET Restructuring Event if the rating assigned to the Rated Securities by any Rating Agency which is current immediately prior to the occurrence of an NGET Restructuring Event (whether provided by a Rating Agency at the invitation of NGET or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall have already rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category (from BB+/Ba1 to BB/Ba2 or such similar lowering) provided that a Rating Downgrade shall not be deemed to have occurred in respect of or as a result of a particular NGET Restructuring Event if the Rating Agency making the relevant reduction in rating or declining to assign a rating of at least investment grade as provided in these Conditions does not announce or publicly confirm, or otherwise inform the Trustee, that the reduction or declining was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable NGET Restructuring Event;

“Subsidiary” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006 and “Subsidiaries” shall be construed accordingly.

- 5.6.3 The Trustee shall not be responsible for ascertaining whether or not an NGET Restructuring Event, a Negative Rating Event or a Rating Downgrade in relation to NGET has occurred and, unless and until it has actual knowledge to the contrary, shall be entitled to assume that no such event has occurred.
- 5.6.4 To exercise the option of redemption of an Instrument under Condition 5.6.1 the Instrumentholder must deliver each Instrument to be redeemed accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a “Put Notice”) and, in which the Instrumentholder may specify an account to which payment is to be made under this Condition 5.6 to the specified office of any Paying Agent on any business day falling within the period (the “Put Period”) of 45 days after a Put Event Notice is given. The Instrument should be delivered together with all Coupons (and Talons) appertaining thereto maturing after the date (the “Put Date”) falling seven days after the expiry of the Put Period, failing which (unless Condition 6.6.1 applies) the Paying Agent will require payment of an amount equal to the face value of any such missing Coupon and/or Talon.

Any amount so paid will be reimbursed in the manner provided in Condition 6 against presentation and surrender of the relevant missing Coupon and/or Talon, subject to Condition 8. The Paying Agent to which such Instrument and Put Notice are delivered will issue to the Instrumentholder concerned a non-transferable receipt in respect of the Instrument so delivered.

Payment in respect of any Instrument so delivered will be made, if the Instrumentholder duly specified a bank account in the Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date in the manner provided in Condition 6 against presentation and surrender (or, in the case of part payment, endorsement) of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable. For the purposes of the Conditions and the Trust Deed, receipts issued pursuant to this Condition 5.6 shall be treated as if they were Instruments. NGET shall redeem the relevant Instruments on the Put Date unless previously redeemed or purchased.]

## **5.7 Redemption at the Option of Instrumentholders**

If Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of any Instrumentholder, upon such Instrumentholder giving not less than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Instrument on the Optional Redemption Date(s) (as specified in the relevant Final Terms) at its Optional Redemption Amount (as specified in the relevant Final Terms) together with interest accrued to the date fixed for redemption.

To exercise such option (which must be exercised on an Option Exercise Date) the holder must deposit such Instrument with any Paying Agent at its specified office, together with a duly completed option exercise notice (“Exercise Notice”) in the form obtainable from any Paying Agent within the Instrumentholders’ Option Period (as specified in the Final Terms). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

## 5.8 Cancellation

All Instruments redeemed pursuant to any of the foregoing provisions will be cancelled forthwith together with all unmatured Coupons and unexchanged Talons attached thereto. All Instruments purchased by or on behalf of the Issuer or any of its Subsidiaries may, at the option of the Issuer be held by or may be surrendered together with all unmatured Coupons and all unexchanged Talons attached to them to a Paying Agent for cancellation, but may not be resold and when held by the Issuer or any of its respective Subsidiaries shall not entitle the holder to vote at any meeting of Instrumentholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Instrumentholders or for the purposes of Condition 11.

## 6 Payments and Talons

### 6.1 Payments

Payments of principal and interest in respect of Instruments (other than Australian Domestic Instruments) will, subject as mentioned below, be made against presentation and surrender of the relevant Instruments (in the case of all payments of principal and, in the case of interest, as specified in Condition 6.6.4) or Coupons (in the case of interest, save as specified in Condition 6.6.4), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency with, a bank in the principal financial centre for that currency; provided that in the case of Euro, the transfer shall be in a city in which banks have access to the TARGET System.

### 6.2 Payments in respect of Australian Domestic Instruments

Payments of principal and interest in respect of Australian Domestic Instruments will be made in Australian dollars to the persons registered in the Australian Register on the relevant Record Date (as defined below) as the holders of such Australian Domestic Instruments. Payments to holders in respect of each Australian Domestic Instrument will be made:

- (i) if the Australian Domestic Instrument is held by Austraclear and entered in the Austraclear System, by crediting on the relevant Interest Payment Date, the Maturity Date or other date on which payment is due the amount then due to the account or accounts to which payments should be made in accordance with the Austraclear Regulations or as otherwise agreed with Austraclear; and
- (ii) if the Australian Domestic Instrument is not held by Austraclear and entered in the Austraclear System, by crediting on the Interest Payment Date, the Maturity Date or other date on which payment is due, the amount then due to an account in Australia previously notified by the Instrumentholder(s) of the Australian Domestic Instrument to the relevant Issuer and the Australian Registrar.

Payment of an amount due in respect of an Australian Domestic Instrument to the holder or otherwise in accordance with this Condition or to the Trustee discharges the obligation of the Issuer to all persons to pay that amount.

Payments will for all purposes be taken to be made when the relevant Issuer or the Agent gives irrevocable instructions for the making of the relevant payment by electronic transfer, being instructions which would be reasonably expected to result, in the ordinary course of banking business, in the funds transferred reaching the account to which the payment is to be made on the same day as the day on which the instructions are given.

If, following the application of Condition 6.7 (*Non-business days*), a payment is due to be made under an Australian Domestic Instrument to an account on a business day on which banks are not

open for general banking business in the city in which the account is located, the Instrumentholder is not entitled to payment of such amount until the next business day on which banks in such city are open for general banking business and is not entitled to any interest or other payment in respect of any such delay.

In this Condition, in relation to Australian Domestic Instruments, "Record Date" means, in the case of payments of principal or interest, close of business on the date which is the eighth calendar day before the due date for the relevant payment of principal or interest.

### **6.3 Payments in the United States**

Notwithstanding the above, if any Instruments are denominated in U.S. dollars, payments in respect of them may be made at the specified office of any Paying Agent in New York City in the same manner as specified above if (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Instruments in the manner provided above when due, (b) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (c) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

### **6.4 Payments subject to Fiscal Laws etc.**

Save as provided in Condition 7, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Instrumentholders or Couponholders in respect of such payments.

### **6.5 Appointment of Agents**

The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (a) an Issuing and Paying Agent, (b) a Paying Agent having its specified office in a major European city, (c) a Calculation Agent where the Conditions so require one, (d) so long as the Instruments are listed on any stock exchange or admitted to listing by any other relevant authority, a Paying Agent having a specified office in such place as may be required by the rules and regulations of any other relevant stock exchange or other relevant authority, and (e) so long as the Instruments clear in a clearing system other than or in addition to Euroclear and Clearstream, Luxembourg, a Paying Agent that is able to make payments to such clearing system in accordance with the rules and procedure of such clearing system. As used in these Conditions, the terms "Issuing and Paying Agent", "Calculation Agent", and "Paying Agent" include any additional or replacement Issuing and Paying Agent, Calculation Agent or Paying Agent appointed under this Condition.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Instruments denominated in U.S. dollars in the circumstances described in Condition 6.3.

Notice of any such change or any change of any specified office shall promptly be given to the Instrumentholders in accordance with Condition 14.

## **6.6 Unmatured Coupons and unexchanged Talons**

- 6.6.1 Upon the due date for redemption of any Instrument, unexpired Coupons relating to such Instrument (whether or not attached) shall become void and no payment shall be made in respect of them.
- 6.6.2 Upon the due date for redemption of any Instrument, any unexchanged Talon relating to such Instrument (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- 6.6.3 Where any Instrument which provides that the relevant Coupons are to become void upon the due date for redemption of those Instruments is presented for redemption without all unexpired Coupons, and where any Instrument is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- 6.6.4 If the due date for redemption of any Instrument is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Instrument. Interest accrued on an Instrument that only bears interest after its Maturity Date shall be payable on redemption of that Instrument against presentation of that Instrument.

## **6.7 Non-business Days**

If any date for payment in respect of any Instrument or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" in the relevant Final Terms and:

- 6.7.1 (in the case of a payment in a currency other than Euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency (which in the case of Australian dollars is Sydney); or
- 6.7.2 (in the case of a payment in Euro) which is a TARGET Business Day.

## **6.8 Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Instrument, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 8).

## **7 Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Instruments and the Coupons will be made without withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision of the United Kingdom or any authority in or of the United Kingdom having power to tax, unless such withholding or deduction is compelled by law. In that event, the Issuer will pay such additional amounts of principal and interest as will result in the receipt by the Instrumentholders or, as the case may be, the Couponholders of the amounts which would otherwise have been received by them in respect of

the Instruments or Coupons had no withholding or deduction been made, except that no such additional amounts shall be payable in respect of any Instrument or Coupon presented for payment:

- (a) by or on behalf of, a person who is liable to such taxes or duties in respect of such Instrument or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Instrument or Coupon; or
- (b) by or on behalf of a person who would not be liable or subject to such deduction or withholding by making a declaration of non-residence or other claim for exemption to a tax authority; or
- (c) more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amounts on presenting the same for payment on such 30th day.

Notwithstanding any other provision of the Terms and Conditions or the Trust Deed, any amounts to be paid on the Instruments by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "FATCA Withholding"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used in these Conditions, "Relevant Date" in respect of any Instrument or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Instrumentholders in accordance with Condition 14 that, upon further presentation of the Instrument or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (a) "principal" shall be deemed to include any premium payable in respect of the Instruments, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (b) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 3 or any amendment or supplement to it and (c) "principal" and/or "interest" shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

## **8 Prescription**

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

## **9 Events of Default**

If any of the following events (each an "Event of Default") occurs and is continuing, the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer at its registered office that the Instruments are, and they shall accordingly immediately become due and repayable at their Redemption Amount together with accrued interest (if any) to the date of payment:

- (a) Non-Payment: there is default for more than 30 days in the payment of any principal or interest due in respect of the Instruments; or

- (b) Breach of Other Obligations: there is default in the performance or observance by the Issuer of any other obligation or provision under the Trust Deed or the Instruments (other than any obligation for the payment of any principal or interest in respect of the Instruments) which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 90 days after notice of such default shall have been given to the Issuer by the Trustee; or
- (c) Cross-Acceleration: if (i) any other present or future Relevant Indebtedness of the Issuer [(or a Principal Subsidiary)]\* becomes due and payable prior to its stated maturity by reason of any actual event of default or (ii) any amount in respect of such Relevant Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the Relevant Indebtedness in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds £100,000,000.

[For the purposes of this Condition 9, “Principal Subsidiary” means National Grid Gas plc, NGET, National Grid North America Inc. and National Grid USA, and includes any successor entity thereto or any member of the group of companies comprising National Grid and each of its subsidiary undertakings (the “National Grid Group”) which the Auditors have certified to the Trustee as being a company to which all or substantially all of the assets of a Principal Subsidiary are transferred. In the event that all or substantially all of the assets of a Principal Subsidiary are transferred to a member of the National Grid Group as described above, the transferor of such assets shall cease to be deemed to be a Principal Subsidiary for the purposes of this Condition.]\*; or

- (d) Winding-up: a resolution is passed, or a final order of a court in the United Kingdom is made and, where possible, not discharged or stayed within a period of 90 days, that the Issuer be wound up or dissolved; or
- (e) Enforcement Proceedings: attachment is made of the whole or substantially the whole of the assets or undertakings of the Issuer and such attachment is not released or cancelled within 90 days or an encumbrancer takes possession or an administrative or other receiver or similar officer is appointed of the whole or substantially the whole of the assets or undertaking of the Issuer or an administration or similar order is made in relation to the Issuer and such taking of possession, appointment or order is not released, discharged or cancelled within 90 days; or
- (f) Insolvency: the Issuer ceases to carry on all or substantially all of its business or is unable to pay its debts within the meaning of Section 123(1)(e) or Section 123(2) of the Insolvency Act 1986; or
- (g) Bankruptcy: the Issuer is adjudged bankrupt or insolvent by a court of competent jurisdiction in its country of incorporation,

provided that in the case of paragraph (b) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Instrumentholders.

## 10 Enforcement

The Trustee may, at its discretion and without further notice, institute such actions, steps or proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Instruments or under the Trust Deed, but shall not be bound to do so unless:

- (a) it has been so directed by an Extraordinary Resolution or in writing by the holders of at least one-quarter of the principal amount of the Instruments outstanding; and
- (b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

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\* Only applicable where National Grid is the Issuer.



No Instrumentholder or Couponholder shall be entitled to institute such actions, steps or proceedings directly against the Issuer unless the Trustee, having become bound to proceed as specified above, fails or is unable to do so within 60 days and such failure or inability is continuing.

## **11 Meetings of Instrumentholders, Modifications and Substitution**

### **11.1 Meetings of Instrumentholders**

The Trust Deed and the Australian Deed Poll (in the case of Australian Domestic Instruments) each contains provisions for convening meetings of Instrumentholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed or the Australian Deed Poll (as applicable)) of a modification of any of these Conditions or any provisions of the Trust Deed or the Australian Deed Poll (as applicable). An Extraordinary Resolution duly passed at any such meeting shall be binding on Instrumentholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of maturity or redemption of the Instruments or any date for payment of interest on the Instruments, (b) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Instruments, (c) to reduce the rate or rates of interest in respect of the Instruments or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Instruments, (d) if a Minimum and/or a Maximum Rate of Interest is shown on the face of the Instrument, to reduce any such Minimum and/or Maximum Rate of Interest, (e) to vary any method of calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, (f) to take any steps that as specified in this Instrument may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, and (g) to modify the provisions concerning the quorum required at any meeting of Instrumentholders or the majority required to pass the Extraordinary Resolution will only be binding if passed at a meeting of the Instrumentholders (or at any adjournment of that meeting) at which a special quorum (as defined in the Trust Deed or the Australian Deed Poll (as applicable)) is present. A resolution in writing signed by the holders of not less than 95 per cent. in nominal amount of the Instruments will be binding on all Instrumentholders and Couponholders. The Issuer may convene a meeting of Instrumentholders jointly with the holders of all other instruments issued pursuant to the Agency Agreement and the Australian Deed Poll and not forming a single series with the Instruments to which meeting the provisions referred to above apply as if all such instruments formed part of the same series, provided that the proposals to be considered at such meeting affect the rights of the holders of the instruments of each series attending the meeting in identical respects (save insofar as the Conditions applicable to each such series are not identical).

### **11.2 Modification of the Trust Deed and the Australian Deed Poll**

The Trustee may agree, without the consent of the Instrumentholders or Couponholders, to (a) any modification of any of the provisions of the Trust Deed or the Australian Deed Poll that is of a formal, minor or technical nature or is made to correct a manifest error, and (b) any other modification (except as mentioned in the Trust Deed or the Australian Deed Poll), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Australian Deed Poll that is in the opinion of the Trustee not materially prejudicial to the interests of the Instrumentholders. In addition, the Trustee shall be obliged to concur with the Issuers in using its reasonable endeavours to effect any Benchmark Amendments in the circumstances and as otherwise set out in Condition 3.10 without the consent or approval of the Instrumentholders and Couponholders. Any such modification, authorisation or waiver shall be binding on the Instrumentholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Instrumentholders as soon as practicable.

### **11.3 Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and/or the Australian Deed Poll and such other conditions as the Trustee may require, but without the consent of the Instrumentholders or the Couponholders, to the substitution of any other company in place of the Issuer or of any previous substituted company, as principal debtor under the Trust Deed or the Australian Deed Poll (in the case of Australian Domestic Instruments) and the Instruments. In the case of such a substitution the Trustee may agree, without the consent of the Instrumentholders or the Couponholders, to a change of the law governing the Instruments, the Coupons, the Talons and/or the Trust Deed and/or the Australian Deed Poll (as applicable) provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Instrumentholders.

### **11.4 Entitlement of the Trustee**

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

## **12 Replacement of Instruments, Coupons and Talons**

If an Instrument, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, listing authority and stock exchange regulations, at the specified office of such other Paying Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Instrumentholders in accordance with Condition 14 on payment by the claimant of the fees and costs incurred in connection with that replacement and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Instrument, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Instruments, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Instruments, Coupons or Talons must be surrendered before replacements will be issued.

## **13 Further Issues**

The Issuer may from time to time without the consent of the Instrumentholders or Couponholders create and issue further instruments having the same terms and conditions as the Instruments and so that such further issue shall be consolidated and form a single series with such Instruments.

References in these Conditions to the Instruments include (unless the context requires otherwise) any other instruments issued pursuant to this Condition and forming a single series with the Instruments. Any such further instruments forming a single series with Instruments constituted by the Trust Deed or any deed supplemental to it or the Australian Deed Poll shall, and any other instruments may (with the consent of the Trustee), be constituted by the Trust Deed or the Australian Deed Poll (in the case of Australian Domestic Instruments).

The Trust Deed and the Australian Deed Poll each contains provisions for convening a single meeting of the Instrumentholders and the holders of instruments of other series if the Trustee so decides.

## 14 Notices

All notices to the Instrumentholders will be valid if published in a daily English language newspaper of general circulation in the United Kingdom (which is expected to be the *Financial Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

In the case of Australian Domestic Instruments, the following provisions shall apply in lieu of any provisions of this Condition 14 which are inconsistent with the following provisions. Notices regarding Australian Domestic Instruments shall be published in a leading daily newspaper of general circulation in Australia. It is expected that such notices will normally be published in *The Australian Financial Review*. Any such notice will be deemed to have been given to the holders on the date of such publication.

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

## 15 Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including but not limited to provisions relieving it from any obligation to (a) appoint an independent financial adviser and (b) take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings without accounting for any profit resulting from these transactions and to act as trustee for the holders of any other securities issued by the Issuer or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings.

## 16 Contracts (Rights of Third Parties) Act 1999

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

## 17 Governing Law and Jurisdiction

- 17.1 The Instruments (other than Australian Domestic Instruments) and any non-contractual obligations arising out of or connected with them are governed by, and shall be construed in accordance with, English law.
- 17.2 The courts of England have exclusive jurisdiction to settle any dispute (a "Dispute"), arising from or connected with the Instruments (other than Australian Domestic Instruments).
- 17.3 The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- 17.4 Nothing in this Condition 17 prevents the Trustee or any Instrumentholder from taking proceedings relating to a Dispute ("Proceedings") in any other courts with jurisdiction. To the extent allowed by law, the Trustee or Instrumentholders may take concurrent Proceedings in any number of jurisdictions.
- 17.5 The Australian Domestic Instruments, the Australian Deed Poll and (unless otherwise specified in the applicable Final Terms) the Australian Agency and Registry Agreement will be governed by, and construed in accordance with, the laws in force in New South Wales, Australia, save that the

provisions of Condition 9 (*Events of Default*) shall be interpreted so as to have the same meaning they would have if governed by English law.

- 17.6 In the case of Australian Domestic Instruments, each Issuer has irrevocably agreed for the benefit of Instrumentholders that the courts of New South Wales, Australia are to have jurisdiction to settle any disputes which may arise out of or in connection with the Australian Domestic Instruments, the Australian Deed Poll and the Australian Agency and Registry Agreement and that accordingly any suit, action or proceedings arising out of or in connection with the Australian Domestic Instruments, the Australian Deed Poll or the Australian Agency and Registry Agreement (together referred to as "Australian Proceedings") may be brought in such courts.
- 17.7 Each Issuer has irrevocably waived any objection which it may have now or hereafter to the laying of the venue of any Australian Proceedings in any such court and any claim that any such Australian Proceedings have been brought in an inconvenient forum and has further irrevocably agreed that a judgment in any such Australian Proceedings brought in the courts of New South Wales shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

## **OVERVIEW OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM**

*For the avoidance of doubt, these provisions do not apply to Australian Domestic Instruments.*

### **Initial Issue of Instruments**

Upon the initial deposit of a Global Instrument with a common depository for Euroclear and Clearstream, Luxembourg (the "Common Depository") or a depository for such other clearing system indicated in the applicable Final Terms including CDS Clearing and Depository Services Inc. ("CDS") (each a "Clearing System"), the Clearing System will credit each subscriber with a nominal amount of Instruments equal to the nominal amount of those Instruments for which it has subscribed and paid.

If the Global Instruments are stated in the applicable Final Terms to be issued in NGN form, (i) the Global Instruments will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper and (ii) the relevant Clearing System will be notified whether or not such Global Instruments are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Instruments with the Common Safekeeper does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Global Instruments which are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

If the Global Instrument is a CGN, upon the initial deposit of a Global Instrument with a depository or the Common Depository, the relevant Clearing System will credit each subscriber with a nominal amount of Instruments equal to the nominal amount of those Instruments for which it has subscribed and paid. If the Global Instrument is an NGN, the nominal amount of the Instruments shall be the aggregate amount from time to time entered in the records of the relevant Clearing System. The records of such Clearing System shall be conclusive evidence of the nominal amount of Instruments represented by the Global Instrument and a statement issued by such Clearing System at any time shall be conclusive evidence of the records of the relevant Clearing System at that time.

Instruments which are initially deposited with the depository of the relevant Clearing System may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with the relevant Clearing System held by such other clearing systems. Conversely, Instruments that are initially deposited with another clearing system may similarly be credited to the accounts of subscribers with the relevant Clearing System.

### **Relationship of Accountholders with Clearing Systems**

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

The Trustee may call for any certificate or other document to be issued by Euroclear, Clearstream, Luxembourg or such Alternative Clearing System in accordance with the rules and procedures of such

clearing system as to the principal amount of Instruments represented by a Global Instrument standing to the account of any person. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Cedcom system) in accordance with its usual procedures and in which the holder of a particular principal amount is clearly identified together with the amount of such holding. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by Euroclear, Clearstream, Luxembourg or such Alternative Clearing System and subsequently found to be forged or not authentic.

Instruments issued under the Programme may be represented by one or more temporary Global Instruments or permanent Global Instruments. Such Global Instruments may be deposited with a common depository or a depository for the relevant Clearing System. Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive definitive Instruments. The relevant Clearing System will maintain records of the interests in the Global Instruments. While the Instruments are represented by one or more Global Instruments, investors will be able to trade their interests only through the relevant Clearing System.

While Instruments are represented by one or more Global Instruments, the relevant Issuer will discharge its payment obligations under such Instruments by making payments to the common depository or a depository for the relevant Clearing System for distribution to their account holders. A holder of an interest in a Global Instrument must rely on the procedures of the relevant Clearing System to receive payments under the relevant Instruments. Such Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Instruments.

Holders of interests in the Global Instruments will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System.

## **Exchange**

### **1 Temporary Global Instruments**

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

- 1.1 if the relevant Final Terms indicates that such Global Instrument is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme — Selling Restrictions"), in whole, but not in part, for the Definitive Instruments defined and described below; and
- 1.2 otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Instrument or, if so provided in the relevant Final Terms, for Definitive Instruments.

If the relevant Final Terms indicates that the temporary Global Instrument may be exchanged for Definitive Instruments, trading of such Instruments in Euroclear and Clearstream, Luxembourg will only be permitted in amounts which are an integral multiple of the minimum Specified Denomination, specified in the relevant Final Terms.

## **2 Permanent Global Instruments**

Each permanent Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under “Partial Exchange of Permanent Global Instruments”, in part for Definitive Instruments if the permanent Global Instrument is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or, if the Global Instrument is held by or on behalf of CDS Clearing & Depository Securities Inc. (“CDS”) and (i) CDS has notified the Issuer that it is unwilling or unable to continue to act as a depository for the Instruments and a successor depository is not appointed by the Issuer within 90 working days after receiving such notice; or (ii) CDS ceases to be a recognised clearing agency under the Securities Act (Ontario) or a self-regulatory organisation under the Securities Act (Québec) or other applicable Canadian securities legislation and no successor clearing system satisfactory to the Trustee is available within 90 working days after the Issuer becoming aware that CDS is no longer so recognised.

*In the event that a Global Instrument is exchanged for Definitive Instruments, such Definitive Instruments shall be issued in Specified Denomination(s) only. An Instrumentholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Instrument in respect of such holding and would need to purchase a principal amount of Instruments such that it holds an amount equal to one or more Specified Denominations.*

## **3 Partial Exchange of Permanent Global Instruments**

For so long as a permanent Global Instrument is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Instrument will be exchangeable in part on one or more occasions for Definitive Instruments if principal in respect of any Instruments is not paid when due.

## **4 Delivery of Instruments**

If the Global Instrument is a CGN, on or after any due date for exchange the holder of a Global Instrument may surrender such Global Instrument or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Instrument, or the part of that Global Instrument to be exchanged, the relevant Issuer will (a) in the case of a temporary Global Instrument exchangeable for a permanent Global Instrument, deliver, or procure the delivery of, a permanent Global Instrument in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Instrument that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Instrument to reflect such exchange or (b) in the case of a Global Instrument exchangeable for Definitive Instruments, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Instruments or if the Global Instrument is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, “Definitive Instruments” means, in relation to any Global Instrument, the Definitive Instruments for which such Global Instrument may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Instrument and a Talon). Definitive Instruments will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Instrument, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Instruments.

## 5 Exchange Date

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

## 6 Amendment to Conditions

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

## 7 Payments

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

For the purpose of any payments made in respect of a Global Instrument, the relevant place of presentation shall be disregarded in the definition of “business day” set out in Condition 6.7 (Non-Business Days).

The records of the relevant clearing systems which reflect the amount of the Instrumentholders’ interests in the Instruments shall be conclusive evidence of the nominal amount of Instruments represented by the Global Instruments.

## 8 Prescription

Claims against an Issuer in respect of Instruments which are represented by a permanent Global Instrument will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7).



## **9 Meetings**

The holder of a permanent Global Instrument shall (unless such permanent Global Instrument represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of Instrumentholders and, at any such meeting, as having one vote in respect of each integral currency unit of the Specified Currency of the Instruments for which it may be exchanged in accordance with its terms.

## **10 Cancellation**

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

## **11 Purchase**

Instruments represented by a permanent Global Instrument may only be purchased by an Issuer or any of its subsidiary undertakings if they are purchased together with the right to receive all future payments of interest on those Instruments.

## **12 Issuer's Option**

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

## **13 Instrumentholders' Options**

Any option of the Instrumentholders provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument may be exercised by the holder of the permanent Global Instrument giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent stating the nominal amount of Instruments in respect of which the option is exercised and at the same time, where the permanent Global Instrument is a CGN, presenting the permanent Global Instrument for notation. Where the Global Instrument is an NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Instruments recorded in those records will be reduced accordingly.

## **14 NGN nominal amount**

Where the Global Instrument is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Instruments, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Instruments represented by such Global Instrument shall be adjusted accordingly.

## **15 Trustee's Powers**

In considering the interests of Instrumentholders while any Global Instrument is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Instrument and may consider such interests as if such accountholders were the holders of the Instruments represented by such Global Instrument.

## **16 Events of Default**

Each Global Instrument provides that the Trustee, at its discretion, may, and if so requested by holders of at least one-quarter in nominal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution, shall cause such Global Instrument to become due and repayable in the circumstances described in Condition 9 by stating in the notice to the relevant Issuer the principal amount of such Global Instrument which is becoming due and repayable. If principal in respect of any Instrument is not paid when due, only the Trustee may enforce the rights of the Instrumentholders against such Issuer under the terms of the Trust Deed unless the Trustee, having become bound to proceed, fails to do so within a reasonable time and such failure is continuing.

## **17 Notices**

So long as any Instruments are represented by a Global Instrument and such Global Instrument is held on behalf of a clearing system, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Instrument. Where a Global Instrument held by CDS is exchanged for Definitive Instruments in the circumstances set out in Section 2 above, the Issuer will provide notices to Instrumentholders in accordance with Condition 14, provided however that such notices will be published in a leading daily newspaper of general circulation in Canada (expected to be the Globe and Mail).

## **USE OF PROCEEDS**

The net proceeds of the issue of each Series of Instruments will be used by the relevant Issuer for its general corporate purposes. If in respect of any particular issue of Instruments, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

In particular, if so specified in the relevant Final Terms, the Issuer will apply the net proceeds from an offer of Instruments specifically for projects and activities that promote climate and other environmental purposes. Such Instruments may also be referred to as “Eligible Bonds”.

## CLEARING AND SETTLEMENT

### CDS

CDS was formed in November 2006 pursuant to the restructuring of The Canadian Depository for Securities Limited ("CDS Ltd."). CDS is wholly owned by CDS Ltd. CDS Ltd. was incorporated in 1970 and remains the holding company for CDS and two other operating subsidiaries and is Canada's national securities clearing and depository services organisation. CDS Ltd. is wholly owned by TMX Group Limited.

Functioning as a service utility for the Canadian financial community, CDS provides a variety of computer automated services for financial institutions and investment dealers active in domestic and international capital markets. CDS participants ("CDS Participants") include banks (including the Canadian Subcustodians (defined below)), investment dealers and trust companies and may include the Dealers or affiliates of the Dealers. Indirect access to CDS is available to other organisations that clear through or maintain a custodial relationship with a CDS Participant. Transfers of ownership and other interests, including cash distributions, in Instruments in CDS may only be processed through CDS Participants and will be completed in accordance with existing CDS rules and procedures. CDS operates in Montreal, Toronto, Calgary and Vancouver to centralise securities clearing functions through a central securities depository.

CDS is the exclusive clearing house for equity trading on the Toronto Stock Exchange and also clears a substantial volume of over the counter trading in equities and bonds. The address for CDS is 85 Richmond Street West, Toronto, ON, Canada, M5H 2C9.

### Global Clearance and Settlement Procedures

Initial settlement for Instruments settling in CDS will be made in immediately available Canadian dollar funds. Such Instruments will be held by CDS & CO., as nominee of CDS. Beneficial interests in the relevant Global Instrument will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in CDS. If the Final Terms indicates the Instruments may clear in Euroclear and Clearstream, Luxembourg, investors may elect to hold interests in the Global Instrument directly through any of CDS (in Canada) or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of such systems, or indirectly through organisations which are participants in such systems. Links have been established among CDS, Euroclear and Clearstream, Luxembourg to facilitate issuance of Instruments and cross-market transfers of Instruments associated with secondary market trading. Clearstream, Luxembourg and Euroclear will hold interests on behalf of their participants through customers' securities accounts in their respective names on the books of their respective Canadian subcustodians, each of which is a Canadian Schedule I chartered bank ("Canadian Subcustodians"), which in turn will hold such interests in customers' securities accounts in the names of the Canadian Subcustodians on the books of CDS. CDS will be directly linked to Euroclear and Clearstream, Luxembourg through the CDS accounts of their respective Canadian Subcustodians.

Secondary market trading between CDS Participants will be in accordance with market conventions applicable to transactions in book-based Canadian domestic bonds. Secondary market trading between Euroclear participants and/or Clearstream, Luxembourg participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

## **Transfers between CDS and Euroclear or Clearstream, Luxembourg**

Cross-market transfers between persons holding directly or indirectly through CDS Participants, on the one hand, and directly or indirectly through Euroclear participants or Clearstream, Luxembourg participants, on the other, will be effected in CDS in accordance with CDS rules; however, such cross-market transactions will require delivery of instructions to the relevant clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. The relevant clearing system will, if the transaction meets its settlement requirements, deliver instructions to CDS directly or through its Canadian Subcustodian to take action to effect final settlement on its behalf by delivering or receiving Instruments in CDS, and making or receiving payment in accordance with normal procedures for settlement in CDS. Euroclear participants and Clearstream, Luxembourg participants may not deliver instructions directly to CDS or the Canadian Subcustodians.

Because of time-zone differences, credits of Instruments received in Euroclear or Clearstream, Luxembourg as a result of a transaction with a CDS Participant will be made during subsequent securities settlement processing and dated the business day following the CDS settlement date. Such credits or any transactions in such Instruments settled during such processing will be reported to the relevant Euroclear participants or Clearstream, Luxembourg participants on such business day. Cash received in Euroclear or Clearstream, Luxembourg as a result of sales of Instruments by or through a Euroclear participant or a Clearstream, Luxembourg participant to a CDS Participant will be received with value on the CDS settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in CDS.

## **Australian Domestic Instruments**

### **Austraclear**

On issue of any Australian Domestic Instruments, the relevant Issuer may, as specified in the applicable Final Terms, procure that the Australian Domestic Instruments are entered into the clearance and settlement system ("Austraclear System") operated by Austraclear Ltd (ABN 94 002 060 773) ("Austraclear"). On entry, Austraclear will become the sole registered Instrumentholder and legal owner of the Australian Domestic Instruments. Subject to the rules and regulations known as the Austraclear Regulations established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System, together with any directions or instructions, participants of the Austraclear System ("Accountholders") may acquire rights against Austraclear in relation to those Australian Domestic Instruments as beneficial owners and Austraclear is required to deal with the Australian Domestic Instruments in accordance with the directions and instructions of the Accountholders. Any potential investors who are not Accountholders would need to hold their interest in the relevant Australian Domestic Instruments through a nominee who is an Accountholder. All payments by the relevant Issuer in respect of Australian Domestic Instruments entered in the Austraclear System will be made directly to an account agreed with Austraclear or as it directs in accordance with the Austraclear Regulations.

### **Relationship of Accountholders with Austraclear**

Where Austraclear is registered as the Instrumentholder of any Australian Domestic Instruments that are lodged in the Austraclear System, Austraclear may, where specified in the Austraclear Regulations, transfer the Australian Domestic Instruments to the person in whose Security Record (as defined in the Austraclear Regulations) those Australian Domestic Instrument are recorded and, as a consequence, remove those Australian Domestic Instruments from the Austraclear System.

Potential investors in Australian Domestic Instruments should inform themselves of, and satisfy themselves with, the Austraclear Regulations and (where applicable) the rules of Euroclear and Clearstream, Luxembourg and the arrangements between them and their nominees in the Austraclear System.

### **Holding of Australian Domestic Instruments through Euroclear and Clearstream, Luxembourg**

On entry in the Austraclear System, interests in the Australian Domestic Instruments may be held through Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in the Australian Domestic Instruments in Euroclear would be held in the Austraclear System by HSBC Custody Nominees (Australia) Limited as nominee of Euroclear, while entitlements in respect of holdings of interests in the Australian Domestic Instruments in Clearstream, Luxembourg would be held in the Austraclear System by JP Morgan Nominees Australia Limited as nominee of Clearstream, Luxembourg.

The rights of a holder of interests in Australian Domestic Instruments held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations of Euroclear and Clearstream, Luxembourg, the arrangements between Euroclear and Clearstream, Luxembourg and their respective nominees and the Austraclear Regulations.

### **Transfers**

Any transfer of Australian Domestic Instruments will be subject to the Australian Corporations Act and the other requirements set out in the Terms and Conditions of the Australian Domestic Instruments and, where the Australian Domestic Instruments are entered in the Austraclear System, the Austraclear Regulations. Secondary market sales of Australian Domestic Instruments settled in the Austraclear System will be settled in accordance with the Austraclear Regulations.

## DESCRIPTION OF NATIONAL GRID PLC

### Overview

National Grid plc (“National Grid”) is the name of the holding company of the group of companies (the “National Grid Group”) which was the product of a recommended merger between National Grid Group plc and Lattice Group plc (now Lattice Group Limited, “Lattice”). This merger was implemented by way of a sanctioned scheme of arrangement under the Companies Act 1985 between Lattice and its shareholders and was completed on 21 October 2002. Following the closing of the merger, National Grid Group plc was renamed National Grid Transco plc and on 26 July 2005 it changed its name to National Grid plc.

National Grid was incorporated in England and Wales on 11 July 2000 as a public company limited by shares under the Companies Act 1985. The address of National Grid’s registered office is 1-3 Strand, London, WC2N 5EH and the telephone number of the main switchboard at the registered office is +44 20 7004 3000. The website of the Issuer is <https://www.nationalgrid.com/group>. No information on such website forms part of this Prospectus except as specifically incorporated by reference, see “Documents Incorporated by Reference”.

National Grid is, directly or indirectly, the ultimate holding company of all the companies in the National Grid Group and its assets are substantially comprised of shares in such companies. National Grid does not conduct any other business and is accordingly dependent on the other members of the National Grid Group and revenues received from them.

National Grid’s senior unsecured debt obligations are rated BBB+ by S&P, BBB+ by Fitch and Baa1 by Moody’s. S&P, Fitch and Moody’s are established in the European Union and registered under the CRA Regulation.

### Introduction

National Grid’s principal operations are the ownership and operation of regulated electricity and gas infrastructure networks in the U.K. and the U.S. National Grid also has interests in related markets, including electricity interconnectors, U.K. based gas metering activities, U.K. based liquefied natural gas (“LNG”) storage and importation facilities, U.K. property management, U.S. based LNG operations, U.S. based non-regulated gas transmission pipelines and other corporate activities.

On 31 March 2017, National Grid sold a 61 per cent. interest in its UK Gas Distribution business (now known as Cadent) to a consortium comprising Macquarie Infrastructure and Real Assets, Allianz Capital Partners, Hermes Investment Management and others (the “Consortium”) and, at the same time, entered into an agreement with the Consortium for the potential future sale and purchase of an additional 14 per cent. equity interest in Cadent. On 30 April 2018, National Grid entered into a further agreement with the Consortium for the potential future sale and purchase of the remaining 25 per cent. equity interest in Cadent. National Grid’s sale of its remaining 39 per cent. equity interest to the Consortium completed at the end of June 2019.

In January 2017, National Grid issued a joint statement with the U.K.’s Office of Gas and Electricity Markets (“Ofgem”) and the UK Government about the enhanced role of the Electricity System Operator function and National Grid has, with effect from 1 April 2019 established a legally separate electricity transmission system operator company (“ESO”) within the National Grid Group to which relevant parts of the NGET transmission licence have been transferred.

## **Business Overview**

### **Principal activities and markets**

National Grid's principal activities, which are reported by segments reflecting the management responsibilities and economic characteristics of each activity, are as follows:

- U.K. Electricity Transmission;
- U.K. Gas Transmission;
- U.S. Regulated; and
- National Grid Ventures and Other.

'National Grid Ventures' brings together key assets outside National Grid's core regulated businesses which it reports as an additional segment along with certain 'other' businesses, comprising assets including property (for the management, clean up and disposal of surplus sites in the U.K., most of which are former gas works), insurance and corporate centre costs.

National Grid's principal subsidiaries are: National Grid Electricity Transmission plc, which owns its U.K. electricity transmission business; National Grid Gas plc ("NGG"), which owns its U.K. gas transmission business; and National Grid USA ("NGUSA"), the holding company for its U.S. electricity transmission, electricity distribution and generation, and gas distribution businesses.

NGUSA's more significant subsidiary companies include KeySpan Corporation, which directly or indirectly owns public utilities consisting of Boston Gas Company, Colonial Gas Company, The Brooklyn Union Gas Company and KeySpan Gas East Corp. Other significant subsidiaries directly or indirectly owned by NGUSA include Niagara Mohawk Power Corporation, Massachusetts Electric Company, The Narragansett Electric Company, New England Power Company, Nantucket Electric Company and National Grid Generation LLC.

National Grid's objects and purposes are not restricted by its Articles of Association.

### **U.K. Electricity Transmission**

National Grid owns the electricity transmission system in England and Wales. Its networks comprise approximately 7,212 kilometres (4,481 miles) of overhead line, 2,280 kilometres (1,417 miles) of underground cable and 347 substations. The ESO now operates as a separate company within National Grid effective from 1 April 2019. The ESO is responsible for making sure supply and demand of electricity is balanced in real time across Great Britain. Day-to-day operation of the system involves the continuous real-time matching of demand and generation output.

### **U.K. Gas Transmission**

National Grid owns and operates the gas national transmission system in Great Britain, with day-to-day responsibility for balancing demand. Its network comprises approximately 7,660 kilometres (4,760 miles) of high pressure pipes and 24 compressor stations.

### **U.S. Regulated**

National Grid owns and operates electricity distribution networks in upstate New York, Massachusetts, and Rhode Island. National Grid's U.S. gas distribution networks provide services to consumers across the north-eastern U.S., located in service territories in upstate New York, New York City, Long Island, Massachusetts and Rhode Island. National Grid jointly owns and operates an electricity transmission system of approximately 14,293 kilometres (8,881 miles) of overhead line spanning upstate New York, Massachusetts, Rhode Island, New Hampshire and Vermont operating 169 kilometres (105 miles) of underground cable and 377 transmission substations. National Grid owns and operates an electricity distribution network of approximately 117,230 kilometres (72,844 miles) and 763 distribution substations



in New England and upstate New York and a gas distribution network of approximately 57,228 kilometres (35,560 miles) of gas pipeline serving an area of approximately 25,659 square kilometres (9,907 square miles). Its network also consists of approximately 787 kilometres (490 miles) of gas transmission pipe, as defined by the US Department of Transportation.

In the U.S., National Grid is responsible for billing, customer service and supply services.

### **National Grid Ventures and Other activities**

National Grid Ventures manages a diverse portfolio of energy businesses that are adjacent to National Grid's core regulated operations. This operating segment represents its main strategic growth area outside the regulated core in competitive markets across the US and the UK. The business comprises all commercial operations in energy metering, transporting primarily renewable energy long distances through electricity interconnectors and storing liquefied natural gas ("LNG") in the UK.

In November 2018, National Grid Partners was established with a focus on investment and future activities in emerging growth areas.

Other activities mainly relate to UK property activities, together with corporate activities in the UK and US.

**Grain LNG:** National Grid Grain LNG Limited is one of three LNG importation facilities in the U.K. It operates under long-term contracts with customers and provides importation services of ship berthing, temporary storage and re-gasification into the national transmission system. National Grid's road tanker loading facility offers the U.K.'s transport and off-grid industrial sector a more environmentally friendly alternative to diesel or heavy fuel oil and allows road tanker operators to load and transport LNG in bulk.

**Interconnectors:** The England-France interconnector ("IFA") is a 2,000 MW high-voltage direct current ("HVDC") link between the French and British transmission systems with ownership shared between National Grid and Réseau de Transport d'Electricité. A substantial proportion of the flow continues to be in the import direction, from France to Great Britain with availability at 93.9 per cent. in the financial year ended 31 March 2019. BritNed Development Limited ("BritNed") is a joint venture between National Grid and TenneT, the Dutch transmission system operator, which built and now owns and operates a 1,000 MW HVDC link between the U.K. and the Netherlands, for which availability was 98.2 per cent. in the financial year ended 31 March 2019. BritNed, which entered into commercial operations on 1 April 2011, is a merchant interconnector that sells its capacity via a range of explicit and implicit auction products. As with IFA, a substantial proportion of the flow is in the import direction from the Netherlands to Great Britain. Nemo Link Limited ("Nemo"), which started operating on 31 January 2019, is an independent joint venture between National Grid and Elia, the Belgian transmission system operator. It owns and operates a 1 GW HVDC link between Great Britain and Belgium. Nemo's availability was 99.9 per cent. to 31 March 2019. Construction is now underway for two new interconnectors, between the U.K. and Norway (known as North Sea Link, due to be operational in 2021/22) and a second interconnector between the U.K. and France (known as IFA2, expected to be operational in 2020). In September 2018, National Grid took a final investment decision to build an interconnector with Denmark (known as Viking Link, expected to be operational in 2024).

**Metering:** National Grid Metering Limited provides installation and maintenance services to energy suppliers in the regulated market in Great Britain. It maintains an asset base of around 9.9 million domestic, industrial and commercial meters. National Grid continues to work with its customers on areas for improvement by exploring additional products and services so National Grid can respond to the rapidly changing non-domestic sector.

**U.S. Competitive transmission:** Orsted-owned renewables developer, Deepwater Wind, partnering together with National Grid, has won competitive tenders to supply electricity from the Revolution Wind offshore wind farm to distribution utilities in Rhode Island and Connecticut. The proposed 700 MW wind farm will be located over 15 miles south of the Rhode Island and Massachusetts coasts in Deepwater

Wind's federal lease area. Deepwater Wind expects Revolution Wind to be operational in late 2023, pending permits and final investment decisions. National Grid has the option to acquire the transmission connection between Revolution Wind and the onshore electric transmission network.

**U.S. large-scale renewables:** On 11 July 2019 National Grid completed its previously announced acquisition of Geronimo Energy, a Minnesota-based wind and solar developer, for \$100 million plus potential further payments subject to the development of Geronimo's project pipeline. Also on 11 July 2019, National Grid entered into a joint venture arrangement with the Washington State Investment Board pursuant to which National Grid made an initial capital contribution of approximately \$113 million for a 51 per cent. share of the joint venture. The joint venture currently holds 378 MW of solar and wind generation projects in operation and construction and has the right of first offer for future projects developed by Geronimo Energy.

**U.K. Property:** National Grid Property is responsible in the U.K. for the management, regeneration and disposal of surplus sites, most of which are former gas works. The specialist team works with communities to return these redundant sites back into beneficial use to provide new homes and employment opportunities across the UK.

**U.S. non-regulated businesses:** Some of National Grid's businesses are not subject to state or federal rate-making authority, including interests in certain of National Grid's LNG road transportation, certain gas transmission pipelines and certain commercial services relating to solar installations, fuel cells and other new technologies.

## Regulatory environment

National Grid's securities are listed on the London Stock Exchange and on the New York Stock Exchange and, as a consequence, National Grid is subject to regulation by the Financial Conduct Authority in the U.K., and by the U.S. Securities and Exchange Commission ("SEC") and the stock exchanges themselves.

National Grid operates in a highly-regulated environment, which means that good relationships with economic and safety regulators, in addition to its other stakeholders, are essential because they set the frameworks within which its businesses operate.

### U.K. Regulation

National Grid's licences are established under the Gas Act 1986 and Electricity Act 1989, as amended (together the "Acts"). The Acts require the licencees to develop, maintain and operate economic and efficient networks and to facilitate competition in the supply of gas and electricity in Great Britain. They also give National Grid statutory powers. These include the right to bury its pipes or cables under public highways and the ability to use compulsory powers to purchase land to enable the conduct of its business. National Grid's networks are regulated by Ofgem, which has a statutory duty under the Acts to protect the interests of consumers. As part of National Grid's licences, Ofgem established price controls that limit the amount of revenue National Grid's regulated businesses can earn. This gives National Grid a specified level of revenue for the duration of the price control that is sufficient to meet its statutory duties and licence obligations, and make a reasonable return on its investments. The price control includes a number of mechanisms designed to help achieve its objectives, including financial incentives that encourage National Grid to: (i) efficiently deliver by investment and maintenance the network outputs that customers and stakeholders require, including reliable supplies, new connections and infrastructure capacity; (ii) innovate in order to continuously improve the services it gives its customers, stakeholders and communities; and (iii) efficiently balance the transmission networks to support the wholesale markets.

The main price controls for electricity and gas transmission networks came into effect on 1 April 2013 for the eight-year period until 31 March 2021. They follow the RIIO (revenue = incentives + innovation + outputs) framework established by Ofgem.

Following the sale of a majority interest in Cadent on 31 March 2017, Cadent now has responsibility for operating within the price controls relating to its four gas distribution networks. The sale of National Grid's remaining 39 per cent. share in the Cadent gas distribution business completed in June 2019.

National Grid's U.K. Electricity Transmission and U.K. Gas Transmission businesses operate under four separate price controls. These comprise two for the U.K. electricity transmission operations, one covering its role as transmission owner ("TO") and the other for its role as ESO; and two for its gas transmission operations, again one as TO and one as ESO. In addition to the four regulated network price controls, there is also a tariff cap price control applied to certain elements of domestic sized metering activities carried out by National Grid Metering and also regulation of its electricity interconnector interests.

Interconnectors derive their revenues from sales of capacity to users who wish to move power between market areas with different prices. Under European Union legislation, these capacity sales are classified as congestion revenues because the market price differences result from congestion on the established interconnector capacity which limits full price convergence. European Union legislation governs how congestion revenues may be used and how interconnection capacity is allocated. It requires all interconnection capacity to be allocated to the market through auctions. Under U.K. legislation, interconnection businesses must be separate from transmission businesses.

There is a range of different regulatory models available for interconnector projects. These involve various levels of regulatory intervention, ranging from fully merchant (the project is fully reliant on sales of interconnector capacity) to 'cap and floor' (where sales revenues above the cap are returned to transmission system users and revenues below the floor are topped up by transmission system users, thus reducing the overall project risk). The cap and floor regime is now the regulated route for interconnector investment in Great Britain and may be sought by project developers who do not qualify or do not wish to apply for exemptions from European Union legislation which would facilitate a merchant development.

## **RIIO price controls**

The building blocks of the RIIO price control are broadly similar to the historical price controls used in the U.K. However, there are some significant differences in the mechanics of the calculations.

Under RIIO, the outputs National Grid delivers are explicitly articulated and its allowed revenues are linked to their delivery. These outputs have been determined through an extensive consultation process, which has given stakeholders a greater opportunity to influence the decisions.

There are five output categories for transmission under the current RIIO price controls:

- **Safety:** ensuring the provision of a safe energy network;
- **Reliability (and availability):** promoting networks capable of delivering long-term reliability, as well as minimising the number and duration of interruptions experienced over the price control period, and ensuring adaptation to climate change;
- **Environmental impact:** encouraging companies to play their role in achieving broader environmental objectives – specifically facilitating the reduction of carbon emissions – as well as minimising their own carbon footprint;
- **Customer and stakeholder satisfaction:** maintaining high levels of customer satisfaction and stakeholder engagement, and improving service levels; and
- **Customer connections:** encouraging networks to connect customers quickly and efficiently.

Within each of these output categories are a number of primary and secondary deliverables, reflecting what National Grid's stakeholders want it to deliver over the price control period. The nature and number

of these deliverables varies according to the output category, with some being linked directly to its allowed revenue, some linked to legislation, and others having only a reputational impact. Ofgem, using information submitted by National Grid along with independent assessments, determines the efficient level of expected costs necessary to deliver them. Under RIIO this is known as totex, which is a component of total allowable expenditure (“totex”), and is broadly the sum of what was defined in previous price controls as operating expenditure (“opex”) and capital expenditure (“capex”).

A number of assumptions are necessary in setting allowances for these outputs, including the volumes of work that will be needed and the price of the various external inputs to achieve them. Consequently, there are a number of uncertainty mechanisms within the RIIO framework that can result in adjustments to totex allowances if actual input prices or volumes differ from the assumptions. These mechanisms protect National Grid and its customers from windfall gains and losses.

Where National Grid under or over-spends the allowed totex for reasons that are not covered by uncertainty mechanisms, there is a sharing factor. This means that the under- or over-spend is shared between National Grid and its customers through an adjustment to allowed revenues in future years. This sharing factor provides an incentive for National Grid to provide the outputs efficiently, as National Grid is able to keep a portion of the savings it makes, with the remainder benefiting its customers.

The extended length of the price control to eight years is one of the ways that the first round of RIIO price controls has given innovation more prominence. Innovation refers to all the new ways of working that deliver outputs more efficiently. The broader challenge has an impact on everyone in National Grid’s business.

Allowed revenue to fund totex costs is split between RIIO fast and slow money categories using specified ratios that are fixed for the duration of the price control. Fast money represents the amount of totex that National Grid is able to recover in the next available year. Slow money is added to its regulatory asset value (“RAV”) – effectively the regulatory IOU.

In addition to fast money, in each year National Grid is allowed to recover a portion of the RAV (regulatory depreciation) and a return on the outstanding RAV balance. Regulatory depreciation in electricity and gas transmission permits recovery of RAV consistent with each addition bringing equal real benefit to consumers for a period of up to 45 years. National Grid is also allowed to collect additional revenues related to uncontrollable costs and incentives. In addition to totex sharing, RIIO incentive mechanisms can increase or decrease National Grid’s allowed revenue to reflect its performance against various other measures related to its outputs. For example, performance against National Grid’s customer and stakeholder satisfaction targets can have a positive or negative effect of up to 1 per cent. of allowed annual revenues. Many of National Grid’s incentives affect its revenues two years after the year of performance.

During the eight-year period of the price control, the regulator included a provision for a mid-period review. This was completed during 2017 and led to some changes in allowances relating to certain specific costs. Further to the mid-period review, National Grid volunteered that £480 million (in 2009/2010 prices) of allowances for electricity transmission investments should be deferred and in August 2017 Ofgem determined how the RIIO allowances would be correspondingly adjusted.

The RIIO-T1 price controls for transmission included a ‘reopener mechanism’. This covered specific cost categories where there was uncertainty about expenditure requirements at the time of setting allowances. The mechanism specified two windows during which networks could propose adjustments to allowances: one in May 2015 and another in May 2018. Both UK ET and UK GT requested additional funding under this mechanism in May 2018, leading to some changes to the allowed revenues.

### **Competition in onshore transmission**

Ofgem stated in its final decision on the RIIO-T1 control for electricity transmission that it would consider holding a competition to appoint the constructor and owner of suitably large new transmission projects,

rather than including these new outputs and allowances in existing transmission licensee price controls. In the absence of the legislation needed to support a competition, at the end of July 2018, and after consultation, Ofgem decided to fund the delivery of the Hinkley-Seabank electricity transmission project by National Grid the 'Competition Proxy Model'. This regulatory model seeks to replicate the outcome of an efficient competitive process for the financing, construction and operation of the project and to provide National Grid Electricity Transmission with a project-specific revenue allowance over the period of its construction and 25 years of operation, but with reduced allowances reflecting prices that Ofgem has observed in other competitions. In addition, in September 2018 Ofgem consulted on the commercial and regulatory framework for the Special Purpose Vehicle ("SPV") model of competition in onshore electricity transmission. This is an alternative model that could in the future be used for projects meeting the competition criteria (new, high value and separable). Under this model, the incumbent transmission owner would run a competition for the construction, financing and operation of a new, separable and high-value project through a project-specific SPV.

## **RIIO-T2**

Ofgem has started work on the next round of RIIO price controls ("RIIO-T2") for the energy network sectors it regulates, including both gas and electricity transmission. It has consulted on a wide range of topics, including incentives, outputs, the cost of capital and other financial parameters. Decisions that have already been taken include reducing the price control duration back to five years from eight years, extending the role of competition where appropriate from electricity transmission to other sectors and moving away from the U.K. Retail Prices Index (RPI) to Consumer Price Index including owner-occupiers housing costs (CPIH) for inflation measurement when calculating RAV and allowed returns. In addition, Ofgem has proposed a methodology to baseline allowed cost of equity which it said, based on evidence available in December 2018, points to a value that is lower than under the current RIIO price controls. The RIIO-T2 price controls will also apply, in part, to the ESO, however, due to the nature of its activities some elements are less applicable to the ESO, and Ofgem has proposed that the duration of its price control will be two years rather than five.

National Grid and other stakeholders will continue to work with Ofgem to develop the framework and parameters for RIIO-T2. National Grid will submit business plans in December 2019 and Ofgem is expected to publish a final view on the price control allowances for transmission companies by the end of 2020.

## **U.S. Regulation**

### **Regulators**

In the US, public utilities' retail transactions are regulated by state utility commissions. The commissions serve as economic regulators, approving cost recovery and authorised rates of return. The state commissions establish the retail rates to recover the cost of transmission and distribution services, and focus on services and costs within their jurisdictions. They also serve the public interest by making sure utilities provide safe and reliable services at just and reasonable prices. The commissions establish service standards and approve public utility mergers and acquisitions.

Utilities are regulated at the federal level by the Federal Energy Regulatory Commission ("FERC") for wholesale transactions, such as interstate transmission and wholesale electricity sales, including rates for these services. FERC also regulates public utility holding companies and centralised service companies, including those of National Grid's US businesses

### **Regulatory process**

The US regulatory regime is premised on allowing the utility the opportunity to recover its cost of service and earn a reasonable return on its investments as determined by the commission. Utilities submit formal rate filings (rate cases) to the relevant state regulator when additional revenues are necessary to provide

safe, reliable service to customers. Utilities can be compelled to file a rate case, either due to complaints filed with the commission or at the commission's own discretion.

The rate case is typically litigated with parties representing customers and other interests. In the states where National Grid operates, it can take nine to 13 months for the commission to render a final decision. The utility is required to prove that the requested rate change is prudent and reasonable, and the requested rate plan can span multiple years. Unlike the state processes, the federal regulator has no specified timeline for adjudicating a rate case; typically it makes a final decision retroactive when the case is completed.

Gas and electricity rates are established from a revenue requirement, or cost of service, equal to the utility's total cost of providing distribution or delivery service to its customers, as approved by the commission in the rate case. This revenue requirement includes operating expenses, depreciation, taxes and a fair and reasonable return on shareholder capital invested in certain components of the utility's regulated asset base. This is typically referred to as its rate base.

The final revenue requirement and rates for service are approved in the rate case decision. The revenue requirement is derived from a comprehensive study of the utility's total costs during a recent 12-month period of operations, referred to as a test year. Each commission has its own rules and standards for adjustments to the test year. These may include forecast capital investments and operating costs.

### **National Grid's rate plans**

Each operating company has a set of rates for service. National Grid has three electric distribution operations (one in each of upstate New York, Massachusetts, and Rhode Island) and six gas distribution networks (one in each of upstate New York, New York City and Long Island, two in Massachusetts, and one in Rhode Island). National Grid's operating companies have revenue decoupling mechanisms that de-link the companies' revenues from the quantity of energy delivered and billed to customers. These mechanisms remove the natural disincentive utility companies have for promoting and encouraging customer participation in energy efficiency programmes that lower energy end use and thus distribution volumes.

National Grid's rate plans are designed to produce a specific allowed return on equity ("ROE"), by reference to an allowed operating expense level and rate base. Some rate plans include earnings sharing mechanisms that allow National Grid to retain a proportion of the earnings above the allowed ROE it achieves through improving efficiency, with the balance benefiting customers.

In addition, National Grid's performance under certain rate plans is subject to service performance targets. National Grid may be subject to monetary penalties in cases where it does not meet those targets.

One measure used to monitor the performance of National Grid's regulated businesses is a comparison of achieved ROE to allowed ROE. However, this measure cannot be used in isolation, as several factors may prevent National Grid from achieving the allowed ROE. These include financial market conditions, regulatory lag and decisions by the regulator preventing cost recovery in rates from customers.

National Grid works to increase achieved ROE through:

- productivity improvements;
- positive performance against incentives or earned savings mechanisms, such as available energy-efficiency programmes; and
- filing a new rate case when achieved returns are lower than those the Company could reasonably expect to attain through a new rate case.

## **Features of National Grid's rate plans**

National Grid bills its U.S. customers for their use of electricity and gas services. Customer bills typically comprise a commodity charge, covering the cost of the electricity or gas delivered, and charges covering its delivery service. With the exception of residential gas customers in Rhode Island, National Grid's customers are allowed to select an unregulated competitive supplier for the supply component of electricity and gas utility services. A substantial proportion of National Grid's costs, in particular electricity and gas commodity purchases, are pass-through costs, meaning they are fully recoverable from its customers. These pass-through costs are recovered through separate charges to customers which are designed to recover those costs with no profit. Rates are adjusted from time to time to make sure that any over- or under-recovery of these costs is returned to, or recovered from, National Grid's customers.

National Grid's FERC-regulated transmission companies use formula rates (instead of rate cases) to set rates annually to recover their cost of service. Through the use of annual true ups, formula rates recover National Grid's actual costs incurred and the allowed ROE based on the actual transmission rate base each year. National Grid must make annual formula rate filings documenting the revenue requirement, which customers can review and challenge.

Revenue for National Grid's wholesale transmission businesses in New England and New York is collected from wholesale transmission customers, who are typically other utilities and include National Grid's own New England electricity distribution businesses. With the exception of upstate New York, which continues to combine retail transmission and distribution rates to end use customers, these wholesale transmission costs are incurred by distribution utilities on behalf of their customers and are fully recovered as a pass-through from end use customers as approved by each state commission.

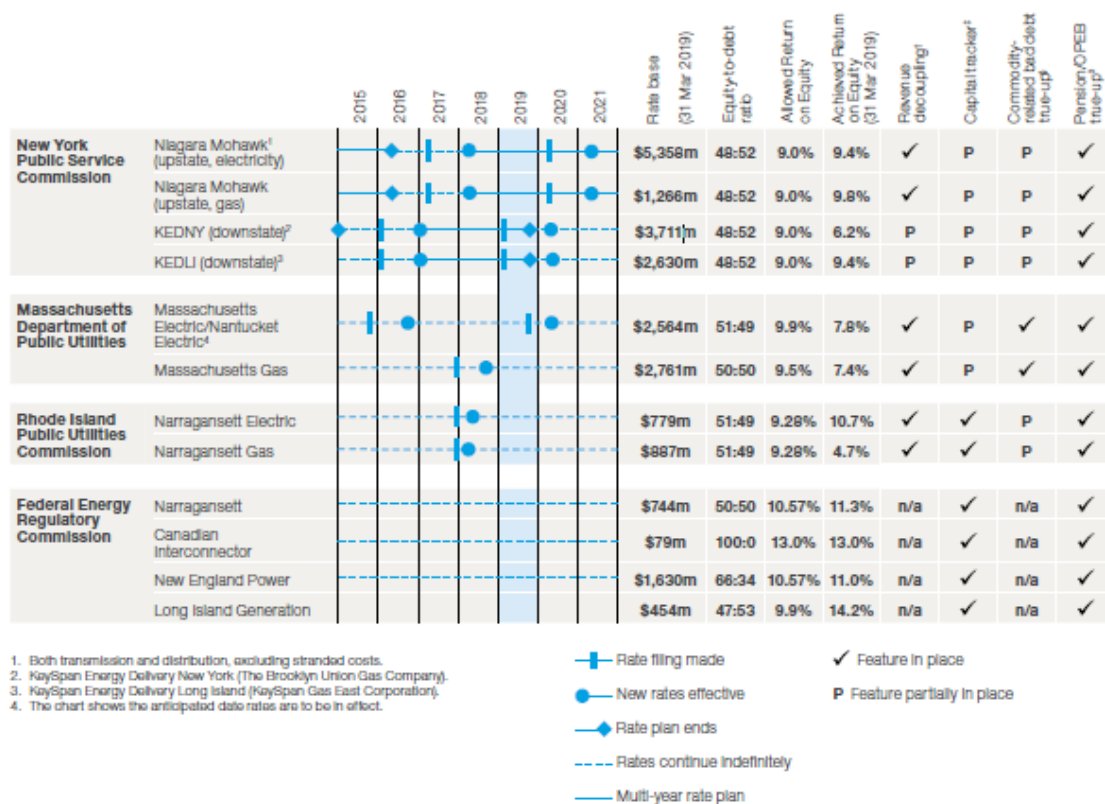
National Grid's Long Island generation plants sell capacity to the Long Island Power Authority ("LIPA") under 15-year and 25-year power supply agreements and within wholesale tariffs approved by FERC. Through the use of cost-based formula rates, these long-term contracts provide a similar economic effect to cost of service rate regulation.

## **U.S. regulatory filings**

The objectives of National Grid's rate case filings are to make sure that National Grid has the right cost of service with the ability to earn a fair and reasonable rate of return, while providing safe, reliable and economical service to National Grid's customers. In order to achieve these objectives and to reduce regulatory lag, National Grid has been requesting structural changes, such as revenue decoupling mechanisms, capital trackers, commodity-related bad debt true ups, and pension and other post-employment benefit ("OPEB") true ups, separately from base rates. These terms are explained below in the table under the heading "Summary of U.S. price controls and rate plans".

Below is a summary of significant developments in rate filings and the regulatory environment during the year. Following the final stabilisation upgrade to its new financial systems and the availability of 12 months of historical test year data from those financial systems, National Grid concluded a first round of full rate case filings in fiscal year 2017, with a final rate case decision for Massachusetts Electric in September 2016, and followed by approval of three-year rate plans for KeySpan Energy Delivery New York ("KEDNY") and KeySpan Energy Delivery Rhode Island ("KEDLI") in December 2016. In fiscal year 2017/18, National Grid made a second round of full rate case filings with Niagara Mohawk (electric and gas) in April 2017, Boston Gas and Colonial Gas in November 2017, and The Narragansett Electric Company also in November 2017. A Joint Proposal, setting forth a three-year rate plan for Niagara Mohawk was approved by the New York State Public Service Commission ("NYPSC") in March 2018. An Amended Settlement Agreement setting forth a three-year rate plan for The Narragansett Electric Company was approved by the Rhode Island Public Utilities Commission in August 2018. In fiscal year 2018/19, National Grid made a full rate case filing again for Massachusetts Electric in November 2018, and, most recently, in fiscal year 2019/20, it made another full rate case filing for KEDNY and KEDLI in April 2019. These filings are

expected to capture the benefit of recent increased investments in asset replacement and network reliability, and reflect long-term growth in costs, including property tax and healthcare costs. Along with a clear focus on productivity, the filings are key to improving achieved returns in the Company's US electric and gas distribution activities.



†**Revenue decoupling:** A mechanism that removes the link between a utility's revenue and sales volume so that the utility is indifferent to changes in usage. Revenues are reconciled to a revenue target, with differences billed or credited to customers. Allows the utility to support energy efficiency.

‡**Capital tracker:** A mechanism that allows for the recovery of the revenue requirement of incremental capital investment above that embedded in base rates, including depreciation, property taxes and a return on the incremental investment.

§**Commodity related bad debt true up:** A mechanism that allows a utility to reconcile commodity related bad debt to either actual commodity related bad debt or to a specified commodity related bad debt write-off percentage. For electricity utilities, this mechanism also includes working capital.

◇**Pension/OPEB true up:** A mechanism that reconciles the actual non capitalised costs of pension and other post-employment benefits and the actual amount recovered in base rates. The difference may be amortised and recovered over a period or deferred for a future rate case.

### Impact of U.S. Tax Reform

Tax is a pass-through for utilities in the US. The reduction in the corporation tax rate from 35 per cent. to 21 per cent., resulting from the enactment of the federal Tax Cuts & Jobs Act of 2017 (the "Act"), is significantly beneficial to customers. The lower tax rate will be reflected in the collection of a lower tax allowance from customers.



National Grid's upstate New York, Massachusetts Gas and Rhode Island utilities were all undergoing rate negotiations at the time the Act was enacted. National Grid has now updated the revenue requests for the prospective portion of the tax collection in each of these businesses. These companies represent 48 per cent. of the rate base, with a total revenue impact of approximately \$130 million. National Grid's FERC businesses operate under formula rates. As a result, the majority of the full annual revenue impact (approximately \$50 million) of tax reform in these businesses was included in rates for the year ended 2018/19.

New York and Massachusetts regulators have conducted open generic proceedings to address the treatment of any tax savings. In New York, the regulator adopted proposals by KEDNY, KEDLI and Niagara Mohawk regarding the means and timing of how the tax benefits would be passed to customers. In Massachusetts the lower tax rate began to reduce revenue on 1 July 2018 for the electric business and 1 October 2018 for the gas business. In Rhode Island, the revenue effect of the lower federal rate began on 1 September 2018. The lower collections in revenue offset the lower tax charge, so there is no material impact to earnings under International Financial Reporting Standards ("IFRS") or under Generally Accepting Accounting Principles in the U.S. ("US GAAP"). National Grid's cash flows will reduce as it is currently in a net operating loss position for the purposes of calculating taxable profits in its US group. This means there is no offsetting reduction in cash tax payments.

### Recent trends, uncertainties and demands

Save as disclosed under "Risk Factors – Factors that may affect National Grid's ability to fulfil its obligations under Instruments issued under the Programme" and "Regulatory Environment", National Grid is not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on its prospects for the current financial year.

### Board of Directors

The Directors of National Grid and their functions and principal activities outside the National Grid Group, are as follows:

Name	Title	Principal activities outside the National Grid Group
Sir Peter Gershon	Chairman (Non-Executive)	New Executive Chairman of the Aircraft Carrier Alliance Management Board and of Dreadnought Alliance, Trustee of The Sutton Trust Board and of the Education Endowment Foundation, Chairman of Join Dementia Research Partnership Board and Board Member of The Investor Forum CIC.
John Pettigrew	Chief Executive	Member of Government's Inclusive Economy Partnership and the CBI's Presidents Committee and Non-Executive Director of Rentokil Initial plc.
Andy Agg	Chief Financial Officer	None.
Jonathan Dawson	Non-Executive Director	Chairman of River and Mercantile Group PLC, Chairman of Crown Lodge Management Company Limited and Crown Lodge Freehold Limited, and

<b>Name</b>	<b>Title</b>	<b>Principal activities outside the National Grid Group</b>
		Chairman and founding partner of Penfida Limited.
Therese Esperdy	Non-Executive Director	Trustee of Brooklyn Academy of Music, Non-Executive Director of Moody's Corporation and Non-Executive Director of Imperial Brands plc.
Paul Golby	Non-Executive Director	Chairman of Costain Group plc and of the U.K. National Air Traffic Services, Director of the Foundation for Science and Technology Director of the Electrical Research (ERA) Association and a member of the Prime Minister's Council for Science and Technology.
Amanda Mesler	Non-Executive Director	Chief Executive Officer of Earthport plc, Chief Executive Officer of Earthport Ltd and Director of Women Can Limited,
Dean Seavers	Executive Director, U.S.	Board advisor to City Light Capital, Board member of Red Hawk Fire & Security, LLC and Non-Executive Director of Albermarle Corporation
Nicola Shaw	Executive Director, U.K.	Non-Executive Director of International Consolidated Airlines Group S.A., Director of Major Projects Association, Director of Energy Networks Association Limited,
Earl Shipp	Non-Executive Director	Non-Executive Director of Olin Corporation, Non-Executive Director of CHI St Luke's Health System of Texas
Jonathan Silver	Non-Executive Director	Director of Intellihot Inc, Director of Tax Equity Advisors LLC and Director of Plug Power Inc.
Mark Williamson	Non-Executive Director	Chairman of Imperial Brands plc and Chairman of Spectris plc.

The business address of each of the above is 1-3 Strand, London WC2N 5EH.

No actual or potential conflicts of interest between the duties to National Grid of any of the Directors listed above and their private interests or other duties were identified over the last year.

Andy Agg, having been acting Interim Chief Financial Officer (CFO) since Andrew Bonfield stepped down from the Board on 30 July 2018, was appointed as CFO with effect from 1 January 2019. Earl Shipp was appointed as a Non-Executive Director effective from 1 January 2019. Nora Mead Brownell resigned as a Non-Executive Director on 08 April 2019. Jonathan Silver was appointed as a Non-Executive Director on 16 May 2019.

## DESCRIPTION OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC

### Overview

National Grid Electricity Transmission plc (“National Grid Electricity Transmission” or “NGET”), a wholly-owned subsidiary of National Grid, is the owner of the electricity transmission system in England and Wales.

NGET is the holder of an electricity transmission licence (the “Transmission Licence”) under the Electricity Act 1989 (as amended, the “Electricity Act”). The Electricity Act requires all persons who participate in the transmission of electricity to hold a licence (as long as they are not exempted from such requirement).

The Transmission Licence permits NGET to own electricity transmission assets onshore in England and Wales (there are separate licensees in respect of transmission assets in Scotland and offshore). In January 2017, National Grid issued a joint statement with Ofgem and the UK Government about the enhanced role of the ESO function and the intention to establish a greater separation between this and the rest of National Grid. Since then, National Grid has created a legally separate ESO company within the National Grid Group and has also sought and received permission to transfer parts of the NGET transmission licence to the ESO with effect from April 2019. The ESO function has consulted on its longer-term goals and its plan for the future, proposing how it will take an enhanced role in facilitating the transition to a low-carbon energy system.

NGET was incorporated (under its original name of National Grid Company) in England and Wales on 1 April 1989 as a public company limited by shares under the Companies Act 1985. The address of NGET’s registered office is 1-3 Strand, London, WC2N 5EH and the telephone number of the main switchboard at the registered office is +44 20 7004 3000.

NGET’s senior unsecured debt obligations are rated A- by S&P, A by Fitch and A3 by Moody’s. S&P, Fitch and Moody’s are established in the European Union and are registered under the CRA Regulation.

### Business of NGET

NGET derives the vast majority of its turnover and profits from charges for services provided by its transmission business (the “Transmission Business”) to, *inter alia*, generators, distributors, suppliers and directly-connected customers.

As the onshore electricity transmission asset owner in England and Wales, NGET:

- (a) owns and maintains assets comprising high-voltage overhead lines, underground cables and substations;
- (b) develops the network to accommodate new connections and disconnections; and
- (c) manages a programme of asset replacement and investment to ensure the long-term reliability of the system.

Revenue from charges for using the transmission network are controlled by revenue restriction conditions set out in the Transmission Licence. This revenue restriction, known as a price control, takes into account, among other factors, allowed and actual levels of operating expenditure and capital expenditure and cost of capital. The price control includes adjustments to reflect external demand for network outputs, and incentive mechanisms can increase or decrease the allowed revenue to reflect performance against various measures. The price control also takes account of a number of ‘pass through’ elements, such as non-domestic rates and the fees payable by NGET to the Gas and Electricity Markets Authority (“GEMA”) under the Transmission Licence.

NGET has one wholly-owned subsidiary: National Grid Electricity Group Trustee Limited. NGET is also a 50 per cent. owner of the joint venture company NGET/SPT Upgrades Limited alongside Scottish Power Transmission which completed the construction of the West Coast HVDC Link expected to be operational later this year. On separation of ESO from NGET, Elexon Limited (held solely as nominee shareholder) was transferred, with the required Ofgem consent, from NGET to ESO.

## Regulation

National Grid operates as a monopoly regulated by Ofgem. The regulator safeguards customers' interests by setting the level of revenues NGET is allowed to recover, so that it provides value for money while maintaining safe and reliable networks, and deliver good customer service.

The licence, established under the Electricity Act requires National Grid to develop, maintain and operate economic and efficient networks and to facilitate competition in the supply of electricity in Great Britain. It also gives statutory powers; which include the right to bury wires or cables under public highways and the ability to use compulsory powers to purchase land so National Grid can conduct its business.

The network is regulated by Ofgem, which has a statutory duty under the Electricity Act to protect the interests of consumers. As part of National Grid's licence, Ofgem established price controls that limit the amount of revenue National Grid's regulated business can earn. This gives a specified level of revenue for the duration of the price control that is sufficient to meet its statutory duties and licence obligations, and make a reasonable return on investments.

The price control includes a number of mechanisms designed to help achieve its objectives. These include financial incentives that encourage National Grid to:

- efficiently deliver by investment and maintenance the network outputs that customers and stakeholders require, including reliable supplies, new connections and infrastructure capacity;
- innovate in order to continuously improve the services given to customers, stakeholders and communities; and
- efficiently balance the transmission networks to support the wholesale markets.

Some of the key financial metrics are included below:

	2018/19 (£m)	2017/18 (£m)	Percentage Change
RAV	13,537	13,045	4 per cent.
Return on Equity	13.7 per cent.	13.1 per cent.	0.6 per cent.

Regulated ROE is a measure of how NGET is performing against the assumptions used by its regulator. These returns are calculated using the assumption that NGET is financed in line with the regulatory adjudicated capital structure, at the cost of debt assumed by the regulator and that RPI inflation is equal to a long-run assumption of 3.0 per cent. They are calculated by dividing elements of out- or under-performance versus the regulatory contract by the average equity regulatory asset value in line with the regulatory assumed capital structure and adding to the base allowed ROE.

This is an important measure of regulated business performance. ROE is underpinned by the regulatory asset value ("RAV"). The way in which NGET's transactions impact RAV is driven by principles set out by Ofgem. In a number of key areas these principles differ from the requirements of IFRS, including areas such as additions and the basis for depreciation. Further, the RAV is adjusted annually for inflation. RAV has evolved over the period since privatisation in 1990 and as a result, historical differences between the initial determination of RAV and balances reported under Generally Accepting Accounting Principles in the

UK at that time still persist. Due to the above, substantial differences exist in the measurement bases between RAV and an IFRS balance metric, and therefore it is not possible to provide a meaningful reconciliation between the two. ROE is not reconciled to IFRS as NGET does not believe it to be practical.

See section entitled “RIIO price controls” under the heading “Description of National Grid plc”.

#### *Allowed returns*

The cost of capital allowed under NGET’s current RIIO price control is as follows:

	<b>Transmission</b>
Cost of equity (post-tax real)	7.0 per cent.
Cost of debt (pre-tax real)	iBoxx 10 year simple trailing average index (1.91 per cent. for 2018/19)
Notional gearing	60.0 per cent.
Vanilla WACC*	3.95 per cent.

\*Vanilla WACC = cost of debt x gearing + cost of equity x (1 – gearing)

Sharing factors for NGET’s current RIIO price control are as follows:

		<b>Transmission Operator</b>	<b>System Owner</b>
1	Fast*	15.00 per cent.	72.10 per cent.
2	Slow†	85.00 per cent.	27.90 per cent.
3	Sharing‡	46.89 per cent.	46.89 per cent.

## **RIIO-T2**

Ofgem has started work on the next round of RIIO price controls (“RIIO-T2”) for the energy network sectors it regulates, covering electricity transmission. It has consulted on a wide range of topics, including incentives, outputs, the cost of capital and other financial parameters. Decisions that have already been taken include reducing the price control duration back to five years from eight years; extending the role of competition where appropriate from electricity transmission to other sectors; and moving away from RPI to CPIH for inflation measurement when calculating RAV and allowed returns. In addition, Ofgem has proposed a methodology the baseline allowed cost of equity which it said, based on evidence available in December 2018, points to a value that is lower than under the current RIIO price controls. The RIIO-T2 price controls will also apply, in part, to the ESO, However, due to the nature of its activities some elements are less applicable to the ESO, and Ofgem has proposed that the duration of its price control will be two years rather than five.

NGET and other stakeholders will continue to work with Ofgem to develop the framework and parameters for RIIO-T2. It will submit business plans in December 2019 and Ofgem is expected to publish a final view on the price control allowances for transmission companies by the end of 2020.

\* Fast money allows network companies to recover a percentage of total expenditure within a one year period.

† Slow money is where costs are added to RAV and, therefore, revenues are recovered slowly (e.g. over 45 years) from both current and future consumers.

‡ The sharing factor is the proportion retained by NGET. The consumer benefits by 53.11 per cent. of the efficiency delivered by NGET.

## **Other Recent Regulatory Developments**

### **EU policy**

Energy policy decisions by governments, government authorities and others have a direct impact on NGET's business, influencing the various emerging challenges and opportunities before NGET. They can affect the amount and location of investment required in its networks and the way it operates. They can also change NGET's compliance obligations.

Greater levels of market integration, interconnection and renewable generation are fundamental to achieving the EU's policy objectives. Throughout the year, NGET has been engaging with its customers and stakeholders, especially with its regulators, as it seeks to inform them of the Brexit outcome it believes would be in the best interests of consumers. NGET believes U.K.-EU cooperation on energy is positive for U.K. and EU consumers in terms of energy security, affordability and decarbonisation. It continues to keep the implications of Brexit under review, especially regarding its access to energy markets and the impacts on revenues and costs. Based on the worst case scenario ("no deal" on free trade), NGET has determined that the risk of increased costs of tariffs and any possibility that its partners might be compelled to "switch off" group owned interconnectors is low.

NGET continues to work closely with organisations such as ENTSO-E (the European Network of Transmission System Operators – for electricity) to develop the EU network codes. As they come into effect NGET works with Great Britain industry parties and Ofgem to develop the Great Britain arrangements such that they deliver the EU requirements. National Grid is advocating retaining membership of ENTSOE and European Network of Transmission System Operators ("TSO") for gas ("ENTSOG") because the U.K. will still be affected by EU legislation in all post-Brexit scenarios and these bodies are crucial in shaping future network codes that govern the trade and flow of energy. In a future where the U.K. is increasingly connected to EU countries, membership of these bodies also provides a forum to mitigate regulatory divergence with EU partner transmission system operators, and discuss operational or technical issues across the continent. Membership will ultimately be subject to the wider politics around Brexit, however National Grid continues to make the case for continued participation with all relevant stakeholders.

### **U.K.**

As the energy industry transitions to a decarbonised, decentralised, and digital future, new investment will be required to maintain the reliability customers expect. National Grid has a role to play in helping customers reduce their carbon footprint and total energy costs.

Affordability of energy continues to be a critical topic, as highlighted in the Government's response to the 'Cost of Energy' review.

NGET is focused on managing its networks over the long term and maintaining highly reliable systems at great cost efficiency. The business is pushing for greater affordability and innovative ways to minimise the total cost of energy to consumers and has been able to generate £574 million of savings for consumers in the first six years of the RIIO arrangements. NGET has also volunteered that £480 million of RIIO T1 allowances for electricity transmission investments should be deferred, which will help ease the impact on consumer bills. NGET is helping customers to lower their 'total energy wallet' by enabling electric vehicle infrastructure and encouraging adoption of electric vehicles.

In July 2018, the Future Energy Scenarios document, published by the ESO suggested that by 2050 up to 65 per cent. of all generation could be locally produced. In July 2018, the first London streets received Ultra Low Emission Zone status. This has since expanded to the congestion zone. With increasing local electricity demand from cars, and potential for vehicles to both charge and discharge electricity onto the network, balancing demand, supply and power flows will become increasingly complex. Electricity storage and smart demand management will play a key role in easing this complexity.

The Government published 'A Green Future: Our 25-year Plan to Improve the Environment', setting out the U.K.'s long-term approach to protecting and enhancing the natural environment. In July 2017, the Government announced a ban on the sale of new petrol and diesel vehicles from 2040. Demand for more sustainable energy is accelerating the pace of change within the energy industry. Faster-than-expected price reductions for key technologies have boosted the speed of developments in areas such as solar energy, energy storage, electric vehicles and distributed generation. Battery pack prices have fallen 24 per cent. since 2016, electric vehicle growth has continued apace, and U.K. small scale solar is expected to double by 2025.

Digitisation of energy networks from generators to households is further changing how people engage with energy. NGET faces the challenge of adapting its networks to meet new demands, and making sure it acts on the opportunities that will benefit its customers and other stakeholders. In 2018, the application of digital technologies to drive sustained profitable growth by optimising the way NGET works was a key global trend. It is expected to continue exponentially in the coming years. The energy landscape is already being transformed by technologies such as smart meters and demand aggregators. These devices employ the latest advances in artificial intelligence to create new business models and reduce energy prices.

As described under the section headed "Description of National Grid plc – Regulatory Environment", Ofgem proposed a number of adjustments to allowances for Electricity Transmission following its mid-period review of the RIIO-T1 price control. This gives NGET greater certainty over its core revenues for the remaining RIIO period. Ofgem made some adjustments to allowances for outputs no longer needed in the RIIO period, and approved additional funding for new activities undertaken by the ESO.

## **Recent Business Developments in 2018/2019**

### **Transmission Operator**

In order to continue to provide low-cost services that customers want, innovation is a must. As part of the joint venture with Scottish Power, NGET has constructed the Western Link – a HVDC cable which will play an important role in bringing renewable energy from Scotland to homes and businesses in England and Wales, helping the UK to meet its renewable energy targets.

In 2018/19, NGET completed the first new electricity overhead line route to be built in England and Wales since 2003. The Canterbury to Richborough connection is a 21-kilometre route that was built in only 15 months enabling the connection of the Nemo interconnector to the grid.

NGET continues to invest in the health of its assets and to ensure high network reliability. One example is work on overhead lines to improve how it maps the operating environment and corrosion. The work supports its long-term strategy for overhead line investment. This enables the electricity transmission business to continue to provide reliable services.

As NGET enters the key phase of discussion and negotiation around the RIIO T-2 Framework for the UK transmission businesses, the role of electric vehicles and the associated electric charging infrastructure in the UK is an area where it will continue to develop and evolve NGET's strategy. For example, NGET is working with the UK government on a build out of fast-charging stations across the UK highways to meet this demand, and ensure electric vehicles can always find somewhere to charge quickly.

Construction of the Hinkley-Seabank Connection Project got underway in summer 2018. National Grid expects to connect its customer EDF, to its network in 2024. Between now and then, NGET will add T-pylons to its network for the first time, as well as two new substations and a sealing-end compound. In the absence of the legislation needed to support a competition, at the end of July 2018, and after consultation, Ofgem decided to fund the delivery of the Hinkley-Seabank electricity transmission project by NGET using the 'Competition Proxy Model'. This regulatory model seeks to replicate the outcome of an efficient competitive process for the financing, construction and operation of the project and to provide NGET with

a project-specific revenue allowance over the period of its construction and 25 years of operation, but with reduced allowances reflecting prices that Ofgem has observed in other competitions. In addition, in September 2018, Ofgem consulted on the commercial and regulatory framework for the Special Purpose Vehicle (“SPV”) model of competition in onshore electricity transmission. This is an alternative model that could in the future be used for projects meeting the competition criteria (new, high value and separable). Under this model, the incumbent transmission owner would run a competition for the construction, financing, and operation of a new, separable and high-value project through a project-specific SPV.

## Board of Directors

The Directors of NGET and their principal activities outside the NGET are as follows:

<b>Name</b>	<b>Title</b>	<b>Principal Activities outside NGET</b>
Nicola Shaw	Director and Chair	Director of National Grid plc, National Grid Gas plc, National Grid Gas Holdings Limited, NGET/SPT Upgrades Limited. Also Non-Executive Director of International Consolidated Airlines Group S.A., Director of Major Projects Association and Director of Energy Networks Association Limited.
Chris Bennett	Director	Director of National Grid Gas plc, and Affordable Warmth Solutions CIC.
Clive Elphick	Director	Non-executive Director of National Grid Gas plc, Director of Elphick Consulting Ltd, Perceptive Engineering Limited, Non-Executive Director of The Lancashire Wildlife Trust Ltd, Board Adviser to M&I Midlands Limited, Judge at the Competition Appeals Tribunal, Trustee NEST Corporation and Honorary Research Fellow in Mathematics at the University of Birmingham.
Alan Foster	Director	Director of National Grid Gas plc, NGET/SPT Upgrades Limited and National Grid Gas Holdings Limited.
Alexandra Lewis	Director	Director of National Grid Gas plc, National Grid Gas Holdings Limited, NGG Finance plc, National Grid Holdings Limited, National Grid Holdings One plc, Director of British Transco Capital Inc, Director of British Transco Finance Inc, National Grid (US) Holdings Limited and National Grid Insurance Company (Isle of Man) Limited.  Assistant Treasurer of The Brooklyn Union Gas Company, National Grid North America Inc., National Grid Generation LLC, National Grid Glenwood Energy Center LLC, National Grid LNG LLC, National Grid Port Jefferson Energy Center LLC, New England Electric Transmission Corporation, New England Hydro-Transmission Corporation, New England Hydro-Transmission Electric Company, Inc., New England Power Company, Transgas Inc, KeySpan Gas East Corporation, Niagara Mohawk Power Corporation, Boston Gas Company, Colonial Gas Company, Massachusetts Electric Company, Nantucket Electric Company, Nantucket Electric Company and National Grid USA.



<b>Name</b>	<b>Title</b>	<b>Principal Activities outside NGET</b>
Cathryn Ross	Director	Non-executive Director of National Grid Gas plc, Non-executive Director of the Institute of Customer Service, Director of Oxford Economic Consulting Limited and Member of the Office for Product Safety & Standards (BEIS) and the National Infrastructure Commission - Expert Panel for Economic Regulation Review.
David Wright	Director	Vice Chairman of CIGRÉ-UK and Director of Headon Hall Management Company

The business address of the Directors of NGET is 1-3 Strand, London WC2N 5EH.

No actual conflicts of interest between the duties to NGET of any of the Directors listed above and their private interests or other duties were identified.

Fintan Slye resigned from his role on 31 March 2019. Catherine Bell resigned from her role on 21 June 2019. Cathryn Ross was appointed as a Director on 21 June 2019.

## TAXATION

### United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment, as at the date hereof, in relation to payments of principal and interest in respect of the Instruments. It is based on current United Kingdom tax law as applied in England and Wales and the published practice of HM Revenue & Customs ("HMRC") (which may not be binding on HMRC), both of which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Instruments. The comments relate only to the position of persons who are absolute beneficial owners of the Instruments. Prospective Instrumentholders should be aware that the particular terms of issue of any series of Instruments as specified in the relevant Final Terms may affect the tax treatment of that and other series of Instruments. The following is a general guide for information purposes which is not intended to be exhaustive and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Certain classes of persons such as dealers, certain professional investors, or persons connected with the Issuer may be subject to special rules and this summary does not apply to such Instrumentholders. Instrumentholders who are in any doubt as to their tax position should consult their professional advisers. Instrumentholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Instruments are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Instruments. In particular, Instrumentholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Instruments even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

#### 1 U.K. Withholding Tax on U.K. Source Interest

The Instruments issued by an Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Instruments will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) by the United Kingdom Listing Authority and are admitted to trading on the Regulated Market of the London Stock Exchange or the Professional Securities Market of the London Stock Exchange. HMRC have confirmed that securities that are admitted to trading on the Professional Securities Market satisfy the condition of being admitted to trading on the London Stock Exchange. Whilst the Instruments are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Instruments may be made without withholding or deduction for or on account of United Kingdom income tax.

In all cases falling outside the exemption described above, interest on the Instruments that has a United Kingdom source will generally be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other exemptions or reliefs under domestic law, or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. However, the obligation to withhold will not apply if the relevant interest is paid on Instruments with a maturity date of less than one year from the date of issue and which (i) are not issued under a scheme or arrangement the intention or effect of which is to render such Instruments part of a borrowing with a total term of a year or more and (ii) are not issued under

a scheme or arrangement the intention of which is to render such Instruments part of a borrowing capable of remaining outstanding for a total term of a year or more.

## **2 Other Rules Relating to U.K. Withholding Tax**

Instruments may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Instruments will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in 1 above.

Where Instruments are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest may be subject to United Kingdom withholding tax as outlined above.

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

The references in this part to "interest" shall mean amounts that are treated as interest for the purpose of United Kingdom taxation. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Instruments or any related documentation. Instrumentholders should seek their own professional advice, as regards the withholding tax treatment of any payment on the Instruments which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer pursuant to Condition 11.3 of the Instruments or otherwise and does not consider the tax consequences of any such substitution.

### **Australian Taxation**

So long as an Issuer continues to be a non-resident of Australia and the Australian Domestic Instruments issued by it are not attributable to a permanent establishment of the relevant Issuer in Australia, payments of principal and interest made under the Australian Domestic Instruments issued by such Issuer should not be subject to Australian withholding tax. The Australian Commissioner of Taxation may issue a notice requiring any person who owes, or who may later owe, money to a taxpayer who has a tax-related liability, to pay to him the money owed to the taxpayer. If an Issuer is served with such a notice in respect of a holder of an Australian Domestic Instrument, then the Issuer will comply with that notice.

### **FATCA Withholding**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Instruments, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining foreign pass thru payments are published in the U.S. federal register and Instruments characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S.

federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. federal register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Instruments (as described under “Terms and Conditions of the Instruments — Further Issues”) that are not distinguishable from grandfathered Instruments are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Instruments, including grandfathered Instruments, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Instruments.

In the event any would be required pursuant to FATCA or an IGA, neither the Issuer nor any paying agent or any other person would be required to pay additional amounts as a result of the deduction or withholding.

## PLAN OF DISTRIBUTION

### Summary of Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 30 July 2019 (as amended or supplemented from time to time), between the Issuers, the Permanent Dealers and the Arranger (the "Dealer Agreement"), the Instruments will be offered on a continuous basis by each of the Issuers to the Permanent Dealers. However, the Issuers have reserved the right to issue Instruments directly on their own behalf to dealers which are not Permanent Dealers. The Instruments may also be issued by each of the Issuers through the Dealers, acting as agents of the Issuers. The Dealer Agreement also provides for Instruments to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers. Each of the Issuers have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments.

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

### Selling Restrictions

#### United States

The Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether the C Rules or D Rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Instruments of any identifiable Tranche, (a) as part of its distribution at any time or (b) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the relevant Issuer and the Issuing and Paying Agent by such Dealer, or in the case of Instruments issued on a syndicated basis, by each Dealer participating in the syndicate with respect to Instruments of such Tranche purchased by or through it, in which case the relevant Issuer shall request the Issuing and Paying Agent to notify each such Dealer when all such Dealers have so certified, within the United States or to, or for the account or benefit of, U.S. persons, and

it will have sent to each dealer to which it sells Instruments during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of the Instruments, an offer or sale of Instruments within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### **Public Offer Selling Restriction under the Prospectus Regulation**

If the Final Terms in respect of any Instruments specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area (“EEA”), each Dealer has represented, warranted and agreed that it has not made and will not make an offer of Instruments which are the subject of an offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Member State except that it may make an offer of Instruments to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Instruments referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision only, the expression an “offer of Instruments to the public” in relation to any Instruments in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

#### **Prohibition of Sales to EEA Retail Investors**

Unless the Final Terms in respect of any Instruments specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

## United Kingdom

Each Dealer has represented, warranted and agreed that:

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

## Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each of the Dealers has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instruments in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

## Australia

No prospectus or other disclosure document (as defined in the *Corporations Act 2001 of Australia*) ("Corporations Act") in relation to the Instruments has been, or will be, lodged with the Australian Securities and Investments Commission ("ASIC").

Each Dealer has represented and agreed that, it:

- (a) has not made or invited, and will not make or invite, an offer of the Instruments for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any offering circular or any other offering material or advertisement relating to the Instruments in Australia,

unless:

- (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in other currencies, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the *Corporations Act*;

- (ii) such action complies with all applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act);
- (iii) such action does not require any document to be lodged with ASIC; and
- (iv) the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act.

## **Switzerland**

Each Dealer has represented and agreed and each further Dealer under the Programme will be required to represent and agree that this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Instruments described herein. The Instruments may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Instruments constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Instruments may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, nor the Issuer nor the Instruments have been or will be filed with or approved by any Swiss regulatory authority. The Instruments are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Instruments will not benefit from protection or supervision by such authority.

## **Hong Kong**

In relation to each Tranche of Instruments issued by the Issuer, each Dealer has represented and agreed and each further Dealer under the Programme will be required to represent and agree that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Instruments except for Instruments which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Instruments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Instruments which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority



of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Instruments or caused the Instruments to be made the subject of an invitation for subscription or purchase and will not offer or sell any Instruments or cause the Instruments to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Instruments, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 4A of the Securities and Futures Act, (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Instruments are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Instruments pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Instruments, each Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Instruments are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **Canada**

The Instruments have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof. Each Dealer has represented, warranted and agreed that it has not offered, sold or distributed and will not offer, sell or distribute any Instruments, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws. Each Dealer has also represented, warranted and agreed that it has not and will not

distribute or deliver the Prospectus, or any other offering material in connection with any offering of Instruments, in Canada other than in compliance with applicable securities laws.

## **Belgium**

Other than in respect of Instruments for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Instruments may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "Belgian Consumer") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Instruments, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Instruments, directly or indirectly, to any Belgian Consumer.

## **General**

These selling restrictions may be modified by the agreement of the relevant Issuer and the Dealers following a change in a relevant law, regulation or directive.

No action has been or will be taken in any country or jurisdiction by the Issuers or the Dealers that would permit a public offering of Instruments, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus or any Final Terms comes are required by the Issuers and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Instruments or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and neither the Issuers nor any other Dealer shall have responsibility for such material.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Instruments which is admitted to trading on the London Stock Exchange's regulated market will be substantially in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue.*

### Final Terms dated [●]

#### **[NATIONAL GRID PLC/NATIONAL GRID ELECTRICITY TRANSMISSION PLC]\***

[Legal Entity Identifier (LEI): 8R95QZMKZLJX5Q2XR704/5XJXCXYG4SDKFJ5WLB02]\*

Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]  
under the Euro 15,000,000,000 Euro Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

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

**[Singapore Securities and Futures Act Product Classification** – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Instruments are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and are [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)<sup>§</sup>

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\* Delete as applicable.

<sup>§</sup> For any Instruments to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Instruments pursuant to Section 309B of the SFA prior to the launch of the offer.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 30 July 2019 which [together with the supplementary Prospectus dated [●]] constitute[s] a base prospectus for the purposes of the Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”). This document constitutes the Final Terms of the Instruments described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplementary Prospectus[es]] [is] [are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “Conditions”) contained in the Trust Deed dated [issue date of original Instruments] a copy of which is set forth in the Prospectus dated [original date] and incorporated by reference into the Prospectus dated [date of current prospectus] and which are attached hereto. This document constitutes the Final Terms of the Instruments described herein for the purposes of Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”)] and must be read in conjunction with the Prospectus dated [date of current prospectus] [and the supplementary Prospectus], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of the Prospectus dated [current date] [and the supplementary Prospectuses dated [●] and [●]] and these Final Terms. [The Prospectus [and the supplementary Prospectus] [is/are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

1	Issuer:	[National Grid plc/National Grid Electricity Transmission plc]**
2	(i) Series Number:	[●]
	(ii) [Tranche Number:	[●]]
	(iii) [Date on which the Instruments become fungible:	[Not Applicable/The Instruments shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in paragraph [26] below [which is expected to occur on or about [●]]].]
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	[●]
	[(i)] Series:	[●]
	[(ii)] Tranche:	[●]]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]

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\*\* Delete as applicable.

6	Specified Denominations:	[●] and integral multiples of [●] in excess thereof [up to and including [●]]. No Instruments in definitive form will be issued with a denomination above [●].
7	Calculation Amount:	[●]
8	[(i)] Issue Date:	[●]
	[(ii)] Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
9	Maturity Date:	[●] [Interest Payment Date falling on or nearest to [●]]
10	Interest Basis:	[[●] per cent. Fixed Rate] [[LIBOR / EURIBOR / AUD-BBR-BBSW / [1 month, 2 months, 3 months, 6 months] CAD-BA-CDOR / HKD-HIBOR-HIBOR= / EUR-ISDA-EURIBOR SWAP RATE-11:00 / BBSW] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] (see paragraph [15/16/17/18] below)
11	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at [●] per cent. of their nominal amount] [Index Linked Redemption]
12	Change of Interest or Redemption/Payment Basis:	[[●] / Not Applicable]
13	Put/Call Options: <sup>††</sup>	[Investor Put] [Issuer Call][Make-whole] (see paragraph [19/20/21/22/23] below)
14	Date [Board] approval for issuance of Instruments obtained:	[●] [and [●], respectively]]

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

15	<b>Fixed Rate Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction (Condition 3.8):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360 (ISDA) / RBA Bond Basis/ Actual/Actual Canadian Compound Method]

<sup>††</sup> If Instruments are issued by National Grid, only insert any additional put/call option other than the National Grid Restructuring Put contained in Condition 5.6 and the call option contained in Condition 5.5.1. This does not include the National Grid or NGET Restructuring Put in Condition 5.6.

	(vi) Determination Dates (Condition 3.8):	[●] in each year
16	<b>Floating Rate Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Interest Period(s):	[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iii) below/, not subject to any adjustment[, as the Business Day Convention in (iii) below is specified to be Not Applicable]]
	(ii) Specified Interest Payment Dates:	[Not Applicable] / [●] [, subject to adjustment in accordance with the Business Day Convention set out in (iii) below/, not subject to any adjustment[, as the Business Day Convention in (iii) below is specified to be Not Applicable]]
	(iii) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
	(iv) First Interest Payment Date:	[Not Applicable]/[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iii) above/, not subject to any adjustment[, as the Business Day Convention in (iii) above is specified to be Not Applicable]]
	(v) Business Centre(s) (Condition 3.8):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Interest Period Date(s):	[Not Applicable]/[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iii) above/, not subject to any adjustment[, as the Business Day Convention in (iii) above is specified to be Not Applicable]]
	(viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
	(ix) Screen Rate Determination (Condition 3.2.3(b)):	[Applicable/Not Applicable]
	• Reference Rate:	[LIBOR / EURIBOR / AUD-BBR-BBSW / [1 month, 2 months, 3 months, 6 months] CAD-BA-CDOR / HKD-HIBOR-HIBOR= / EUR-ISDA-EURIBOR SWAP RATE-11:00 / BBSW]
	• Interest Determination Date(s):	[●] [TARGET] Business Days in [●] for [●] prior to [●] [Second London business day prior to the start of each Interest Accrual Period] [The first day in each Interest Accrual Period]

		[Second day on which the TARGET 2 System is open prior to the start of each Interest Accrual Period]
	<ul style="list-style-type: none"> <li>• Relevant Screen Page:</li> <li>• Reference Banks (if Primary Source is "Reference Banks"):</li> </ul>	[•]
	(x) ISDA Determination (Condition 3.2.3(a)):	[Applicable/Not Applicable]
	<ul style="list-style-type: none"> <li>• Floating Rate Option:</li> <li>• Designated Maturity:</li> <li>• Reset Date:</li> </ul>	[•]
	(xi) Linear Interpolation (Condition 3.2.3(c)):	[Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
	(xii) Margin(s):	[[+/-][•] per cent. per annum] [Not Applicable]
	(xiii) Minimum Rate of Interest:	[[•] per cent. per annum] [Not Applicable]
	(xiv) Maximum Rate of Interest:	[[•] per cent. per annum] [Not Applicable]
	(xv) Day Count Fraction (Condition 3.8):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
17	<b>Zero Coupon Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Amortisation Yield (Condition 5.4):	[•] per cent. per annum
	(ii) Day Count Fraction (Condition 3.8):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
18	<b>Index Linked Interest Instrument</b>	[Applicable/Not Applicable]
	(i) Index:	[RPI/CPI/CPIH/HICP]
	(ii) Interest Rate:	[•]
	(iii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent):	[[•] / Not Applicable]
	(iv) Provisions for determining Coupon calculated by reference to Index and/or Formula:	[•]

- |  |  |
|--|--|
| (v) Interest Determination Date(s):  | [•]  |
| (vi) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: | Condition(s) [4.3 to 4.5 / 4.9] apply  |
| (vii) Interest Payment Dates:  | [•]  |
| (viii) First Interest Payment Date:  | [•]  |
| (ix) Interest Period(s):   | [•]  |
| (x) Business Day Convention:   | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]   |
| (xi) Minimum Indexation Factor:  | [Not Applicable/[•]]   |
| (xii) Business Centre(s) (Condition 3.8):  | [•]  |
| (xiii) Maximum Indexation Factor:  | [Not Applicable/[•]]   |
| (xiv) Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor:  | [•] per cent. per annum  |
| (xv) Base Index Figure:  | [•]  |
| (xvi) Day Count Fraction (Condition 3.8):  | [30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis] |
| (xvii) "Index" or "Index Figure" (Condition 4.1):  | Sub-paragraph [(i)/(ii)/(iii)] of the definition of "Index" or "Index Figure" as set out in Condition 4.1 shall apply  |
| (xviii) Reference Gilt:  | [•]  |

## PROVISIONS RELATING TO REDEMPTION

- |       |  |                             |
|-------|--|-----------------------------|
| 19    | <b>Residual Holding Call Option</b>  | [Applicable/Not Applicable] |
| (i)   | Residual Holding Percentage:   | [•] per cent.               |
| (ii)  | Party responsible for calculating the Residual Holding Redemption Amount (if not the Calculation Agent): | [[•] / Not Applicable]      |
| (iii) | Benchmark Security:  | [•]                         |
| (iv)  | Benchmark Spread:  | [•] per cent. per annum     |
| (v)   | Benchmark Day Count Fraction:  | [•]                         |



20	<b>Call Option<sup>‡‡</sup></b>	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Instrument:	[•] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum nominal amount to be redeemed:	[•]
	(b) Maximum nominal amount to be redeemed:	[•]
	(iv) Option Exercise Date(s):	[•]
	(v) Notice periods (Condition 5.5.2):	Minimum Period: [15] [•] days Maximum Period: [30] [•] days
21	<b>Make-whole Redemption Option</b>	[Applicable/Not Applicable]
	(i) Make-whole Redemption Date(s):	[•]
	(a) Reference Bond:	[•]
	(b) Quotation Time:	[•]
	(c) Redemption Margin:	[[•] per cent.][None]
	(d) Determination Date:	[•]
	(ii) If redeemable in part:	
	(a) Minimum nominal amount to be redeemed:	[•]
	(b) Maximum nominal amount to be redeemed:	[•]
	(iii) Notice periods (Condition 5.5.3):	Minimum Period: [15] [•] days Maximum Period: [30] [•] days
22	<b>Put Option<sup>§§</sup></b>	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Instrument:	[•] per Calculation Amount
	(iii) Option Exercise Date(s):	[•]

<sup>‡‡</sup> This does not include the tax call in Condition 5.2 or the call option contained in Condition 5.5.1.

<sup>§§</sup> This does not include the National Grid or NGET Restructuring Put in Condition 5.6.

	(iv) Notice periods (Condition 5.7):	Minimum Period: [15] [●] days Maximum Period: [30] [●] days
23	<b>NGET Restructuring Put Option</b>	[Applicable/Not Applicable]
24	<b>Final Redemption Amount of each Instrument</b>	[●] per Calculation Amount
	(i) Index:	[RPI/CPI/CPIH/HICP]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[[●] / Not Applicable]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula:	The Final Redemption Amount per Instrument shall be its outstanding nominal amount adjusted in accordance with Condition [4.2/ 4.8]
	(iv) Determination Date(s):	[●]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition(s) [4.3 to 4.5/ 4.9] shall apply
	(vi) Payment Date:	[●]
	(vii) Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii) Maximum Final Redemption Amount:	[●] per Calculation Amount
	(ix) Notice Periods (Condition 4.6/ 4.10):	Minimum Period: [30] [●] days Maximum Period: [60] [●] days
25	<b>Early Redemption Amount</b>	
	(i) Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons (Condition 5.2) or on Event of Default (Condition 9) or other early redemption:	[●] per Calculation Amount
	(ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5.2)	[Yes/No]
	(iii) Notice Periods (Condition 5.2):	Minimum Period: [30] [●] days Maximum Period: [45] [●] days

## GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

26	<b>Form of Instruments</b>	<b>[Bearer Instruments:</b> [temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument]  [temporary Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the temporary Global Instrument]  [permanent Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument]] <b>[Australian Domestic Instruments]</b>
27	New Global Note:	[Yes] [No] [Not Applicable]
28	Financial Centre(s) or other special provisions relating to Payment Dates (Condition 6.7):	[Not Applicable/[•]]
29	Eligible Bonds:	[Yes] [No] <i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
	(i) [Reviewer(s):]	<i>[Name of sustainability rating agencies and name of third party assurance agent, if any and details of compliance opinion(s) and availability]</i>
	(ii) [Date of Second Party Opinion(s):]	[•]

### THIRD PARTY INFORMATION

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

Signed on behalf of the Issuer:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING AND TRADING

- (i) Listing: London
- (ii) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange's regulated market with effect from [●].
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2 RATINGS

- Ratings: The Instruments to be issued [have [not ]been / are expected to be] rated:  
[S&P: [●]]  
[Moody's: [●]]  
[[Fitch: [●]]

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

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

### 4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i)] Reasons for the offer/use of proceeds: [●]
- [(ii)] Estimated net proceeds: [●]
- [(iii)] Estimated total expenses: [●]

### 5 [Fixed Rate Instruments only – YIELD

- Indication of yield: Calculated as [●] on the Issue Date  
The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 6 [Index Linked Instruments only – PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING

- (i) Name of underlying index: [U.K. Retail Prices Index (RPI) (all items) published by the Office for National Statistics] / [U.K. Consumer Prices Index (CPI) (all items) published by the Office for National Statistics / U.K. Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax (CPIH) (all items) published by the Office for National Statistics]/ [Non-revised Harmonised Index of Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union published by Eurostat (HICP)]
- (ii) Information about the Index, its volatility and past and future performance can be obtained from: Information on [RPI/CPI/CPIH/HICP] can be found at [www.statistics.gov.uk / www.epp.eurostat.ec.europa.eu]

### 7 OPERATIONAL INFORMATION

- ISIN: [●]

Common Code:	[●]
CFI:	[●], as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
FISN:	[●], as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/[●]]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]
[Intended to be held in a manner which would allow Eurosystem eligibility:	<p>[Yes. Note that the designation “yes” simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/</p> <p>[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]</p>
Process Agent <sup>***</sup> :	[National Grid Australia Pty Limited ACN 115 132 164/Not Applicable]
The aggregate principal amount of the Instruments issued has been translated into Euro at the rate of [●], producing a sum of (for Instruments not denominated in Euro):	[Not Applicable/Euro [●]]

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<sup>\*\*\*</sup> Applicable for Australian Domestic Instruments only.

Benchmarks Regulation: Amounts payable under the Instruments will be calculated by reference to *[[specify benchmark]]* which is provided by *[administrator legal name]*. As at the date hereof, *[[administrator legal name]**[appears]/[does not appear]* in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 (*Register of administrators and benchmarks*) of Regulation (EU) 2016/1011/*[As far as the Issuer is aware, as at the date hereof, [specify benchmark] [does not fall within the scope of Regulation (EU) 2016/1011][by virtue of Article 2 of that regulation/the transitional provisions in Article 51 of Regulation (EU) 2016/1011 apply]* such that *[administrator legal name]* is not currently required to obtain authorisation or registration (or if located outside the EU, recognition, endorsement or equivalence)/*[Not Applicable]*

8 **DISTRIBUTION**

- (i) U.S. Selling Restrictions: Reg. S Compliance Category 2; [TEFRA C / TEFRA D / TEFRA not applicable]
- (ii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (iii) [Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]]
- (iv) Method of distribution: [Syndicated/Non-syndicated]
- (v) If syndicated, names of Managers: [Not Applicable/give names]
- (vi) Stabilisation Manager(s) (if any): [Not Applicable/give names]
- (vii) If non-syndicated, name of Dealer: [Not Applicable/give name]
- (viii) Additional selling restrictions: [Not Applicable/give details]

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Tranche of PSM Instruments issued under the Programme which is listed on the official list of the FCA and admitted to trading on the London Stock Exchange's professional securities market will be in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue.*

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH REGULATION (EU) 2017/1129, AS AMENDED, FOR THE ISSUE OF THE INSTRUMENTS DESCRIBED BELOW.

### Pricing Supplement dated [●]

#### **[NATIONAL GRID PLC/NATIONAL GRID ELECTRICITY TRANSMISSION PLC]\***

[Legal Entity Identifier (LEI): 8R95QZMKZLJX5Q2XR704/5XJXCCYG4SDKFJ5WLB02]\*

Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]  
under the Euro 15,000,000,000 Euro Medium Term Note Programme

### PART A – CONTRACTUAL TERMS

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "Prospectus Regulation"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

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

**[Singapore Securities and Futures Act Product Classification** – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the

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\* Delete as applicable.

Instruments are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and are [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)<sup>†††</sup>

Any person making or intending to make an offer of the Instruments may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus or supplement a prospectus pursuant to Regulation (EU) 2017/1129, in each case, in relation to such offer.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Listing Particulars dated 30 July 2019 which [together with the supplementary listing particulars dated [●]] constitutes listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules of the Financial Conduct Authority (the "Listing Rules"). This document constitutes the Pricing Supplement of the Instruments described herein for the purposes of Listing Rule 4.2.3 of the Listing Rules and must be read in conjunction with such Listing Particulars [as so supplemented]. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of this Pricing Supplement and the Listing Particulars [as so supplemented]. The Listing Particulars [and the supplementary listing particulars] [is] [are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "Conditions") contained in the Trust Deed dated [issue date of original Instruments] a copy of which is set forth in the Listing Particulars dated [original date] and incorporated by reference into the Listing Particulars dated [date of current prospectus] and which are attached hereto. This document constitutes the Pricing Supplement of the Instruments described herein for the purposes of Listing Rule 4.2.3 of the Listing Rules of the Financial Conduct Authority and must be read in conjunction with the Listing Particulars dated [date of current prospectus] [and the supplementary listing particulars dated [●]], which [together] constitute[s] listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of the Listing Particulars dated [current date] [and the supplementary listing particulars dated [●] and [●]] and this Pricing Supplement. [The Listing Particulars [and the supplementary listing particulars] [is/are] available for viewing at and copies may be obtained from, the registered address of the Issuer at 1-3 Strand, London WC2N 5EH and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

- |   |  |   |
|---|--|---|
| 1 | (i) Issuer:  | [National Grid plc/National Grid Electricity Transmission plc] <sup>†††</sup>   |
| 2 | (i) Series Number:                                   | [●]   |
|   | (ii) [Tranche Number:                                | [●]]  |
|   | (iii) Date on which the Instruments become fungible: | [Not Applicable/The Instruments shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in |

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<sup>†††</sup> For any Instruments to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Instruments pursuant to Section 309B of the SFA prior to the launch of the offer.

<sup>†††</sup> Delete as applicable.



paragraph [26] below [which is expected to occur on or about [●]].]

3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	[●]
	(i) [Series:	[●]
	(ii) [Tranche:	[●]]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
6	A Specified Denominations:	[●] and integral multiples of [●] in excess thereof [up to and including [●]. No Instruments in definitive form will be issued with a denomination above [●].
7	Calculation Amount:	[●]
8	(i) [Issue Date:]	[●]
	(ii) [Interest Commencement Date]	[[●]/Issue Date/Not Applicable]
9	Maturity Date:	[●] [Interest Payment Date falling on or nearest to [●]]
10	Interest Basis:	[[●] per cent. Fixed Rate] [[LIBOR / EURIBOR / AUD-BBR-BBSW / [1 month, 2 months, 3 months, 6 months] CAD-BA-CDOR / HKD-HIBOR-HIBOR= / EUR-ISDA-EURIBOR SWAP RATE-11:00 / BBSW] +/- [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] (see paragraph [15/16/17/18] below)
11	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at [●] per cent. of their nominal amount] [Index Linked Redemption]
12	Change of Interest or Redemption/Payment Basis:	[[●] / Not Applicable]
13	Put/Call Options:	[Investor Put] [Issuer Call][Make-whole] (see paragraph [19/20/21/22/23] below)
14	Date [Board] approval for issuance of Instruments obtained:	[●] [and [●], respectively]]

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

15	<b>Fixed Rate Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year

	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction (Condition 3.8):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360 (ISDA) / RBA Bond Basis/ Actual/Actual Canadian Compound Method]
	(vi) Determination Dates (Condition 3.8):	[●] in each year
16	<b>Floating Rate Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Interest Period(s):	[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iii) below/, not subject to any adjustment[, as the Business Day Convention in (iii) below is specified to be Not Applicable]]
	(ii) Specified Interest Payment Dates:	[Not Applicable] / [●] [, subject to adjustment in accordance with the Business Day Convention set out in (iii) below/, not subject to any adjustment[, as the Business Day Convention in (iii) below is specified to be Not Applicable]]
	(iii) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention][Not Applicable]
	(iv) First Interest Payment Date:	[Not Applicable]/[●] [in each year [, subject to adjustment in accordance with the Business Day Convention set out in (iii) above/, not subject to any adjustment[, as the Business Day Convention in (iii) above is specified to be Not Applicable]]]
	(v) Business Centre(s) (Condition 3.8):	[●]
	(vi) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii) Interest Period Date(s):	[Not Applicable]/[●] [in each year [, subject to adjustment in accordance with the Business Day Convention set out in (iii) above/, not subject to any adjustment[, as the Business Day Convention in (iii) above is specified to be Not Applicable]]]
	(viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]

(ix)	Screen Rate Determination (Condition 3.2.3(b)):	[Applicable/Not Applicable]
	<ul style="list-style-type: none"> <li>• Reference Rate: [LIBOR / EURIBOR / AUD-BBR-BBSW / [1 month, 2 months, 3 months, 6 months] CAD-BA-CDOR / HKD-HIBOR-HIBOR= / EUR-ISDA-EURIBOR SWAP RATE-11:00 / BBSW]</li> <li>• Interest Determination Date(s): [●] / [The first day in each Interest Accrual Period] / [[ ] [TARGET] Business Days in [●] for [●] prior to [<i>the first day in each Interest Accrual Period/each Interest Payment Date</i>]]</li> <li>• Relevant Screen Page: [●]</li> <li>• Reference Banks (if Primary Source is "Reference Banks"): [●]</li> </ul>	
(x)	ISDA Determination (Condition 3.2.3(a)):	[Applicable/Not Applicable]
	<ul style="list-style-type: none"> <li>• Floating Rate Option: [●]</li> <li>• Designated Maturity: [●]</li> <li>• Reset Date: [●]</li> </ul>	
(xi)	Linear Interpolation (Condition 3.2.3(c)):	[Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
(xii)	Margin(s):	[[+/-][●] per cent. per annum] [Not Applicable]
(xiii)	Minimum Rate of Interest:	[[●] per cent. per annum] [Not Applicable]
(xiv)	Maximum Rate of Interest:	[[●] per cent. per annum] [Not Applicable]
(xv)	Day Count Fraction (Condition 3.8):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
17	<b>Zero Coupon Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Amortisation Yield (Condition 5.4):	[●] per cent. per annum
	(ii) Day Count Fraction (Condition 3.8):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
18	<b>Index Linked Interest Instrument</b>	[Applicable/Not Applicable]
	(i) Index:	[RPI/CPI/CPIH/HICP]
	(ii) Interest Rate:	[●]
	(iii) Party responsible for calculating the Rate(s) of	[[●] / Not Applicable]

	Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent):	
(iv)	Provisions for determining Coupon calculated by reference to Index and/or Formula:	[●]
(v)	Interest Determination Date(s):	[●]
(vi)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition(s) [4.3 to 4.5 / 4.9] apply
(vii)	Interest Payment Dates:	[●]
(viii)	First Interest Payment Date:	[●]
(ix)	Interest Period(s):	[●]
(x)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(xi)	Minimum Indexation Factor:	[Not Applicable/[●]]
(xii)	Business Centre(s) (Condition 3.8):	[●]
(xiii)	Maximum Indexation Factor:	[Not Applicable/[●]]
(xiv)	Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor:	[●] per cent. per annum
(xv)	Base Index Figure:	[●]
(xvi)	Day Count Fraction (Condition 3.8):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA) / RBA Bond Basis]
(xvii)	"Index" or "Index Figure" (Condition 4.1):	Sub-paragraph [(i)/(ii)/(iii)] of the definition of "Index" or "Index Figure" as set out in Condition 4.1 shall apply
(xviii)	Reference Gilt:	[●]

## PROVISIONS RELATING TO REDEMPTION

19	<b>Residual Holding Call Option</b>	[Applicable/Not Applicable]
(i)	Residual Holding Percentage:	[●] per cent.
(ii)	Party responsible for calculating the Residual	[[●] / Not Applicable]

	Holding Redemption Amount (if not the Calculation Agent):	
	(iii) Benchmark Security:	[●]
	(iv) Benchmark Spread:	[●] per cent. per annum
	(v) Benchmark Day Count Fraction:	[●]
20	<b>Call Option</b>	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Instrument:	[●] per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum nominal amount to be redeemed:	[●]
	(b) Maximum nominal amount to be redeemed:	[●]
	(iv) Option Exercise Date(s):	[●]
	(v) Notice periods (Condition 5.5.2):	Minimum Period: [15] [●] days Maximum Period: [30] [●] days
21	<b>Make-whole Redemption Option</b>	[Applicable/Not Applicable]
	(i) Make-whole Redemption Date(s):	[●]
	(a) Reference Bond:	[●]
	(b) Quotation Time:	[●]
	(c) Redemption Margin:	[[●] per cent.][None]
	(d) Determination Date:	[●]
	(ii) If redeemable in part:	
	(a) Minimum nominal amount to be redeemed:	[●]
	(b) Maximum nominal amount to be redeemed:	[●]
	(iii) Notice periods (Condition 5.5.3):	Minimum Period: [15] [●] days Maximum Period: [30] [●] days
22	<b>Put Option</b>	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]

	(ii) Optional Redemption Amount(s) of each Instrument:	[●] per Calculation Amount
	(iii) Option Exercise Date(s):	[●]
	(iv) Notice periods (Condition 5.7):	Minimum Period: [15] [●] days Maximum Period: [30] [●] days
23	<b>NGET Restructuring Put Option</b>	[Applicable/Not Applicable]
24	<b>Final Redemption Amount of each Instrument</b>	[●] per Calculation Amount
	(i) Index/Formula:	[RPI/CPI/CPIH/HICP]
	(ii) Calculation Agent responsible for calculating the Final Redemption Amount:	[[●] / Not Applicable]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula:	The Final Redemption Amount per Instrument shall be its outstanding nominal amount adjusted in accordance with Condition [4.2/ 4.8]
	(iv) Determination Date(s):	[●]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition(s) [4.3 to 4.5/ 4.9] shall apply
	(vi) Payment Date:	[●]
	(vii) Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii) Maximum Final Redemption Amount:	[●] per Calculation Amount
	(ix) Notice Periods (Condition 4.6/ 4.10):	Minimum Period: [30] [●] days Maximum Period: [60] [●] days
25	<b>Early Redemption Amount</b>	
	(i) Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons (Condition 5.2) or on Event of Default (Condition 9) or other early redemption:	[●] per Calculation Amount

- (ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5.2) [Yes/No]
- (iii) Notice Periods (Condition 5.2): Minimum Period: [30] [●] days  
Maximum Period: [45] [●] days

**GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS**

- 26 **Form of Instruments**
  - [Bearer Instruments:**
  - [temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument]
  - [temporary Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the temporary Global Instrument]
  - [permanent Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the permanent Global Instrument]]
  - [Australian Domestic Instruments]**
- 27 New Global Note [Yes] [No] [Not Applicable]
- Financial Centre(s) or other special provisions relating to Payment Dates (Condition 6.7): [Not Applicable/[●]]
- 28 U.S. Selling Restrictions: Reg. S Compliance Category 2; [TEFRA C]/[TEFRA D]/[TEFRA not applicable]
- 29 Eligible Bonds: [Yes] [No]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) [Reviewer(s):] *[Name of sustainability rating agencies and name of third party assurance agent, if any and details of compliance opinion(s) and availability]*
- (ii) [Date of Second Party Opinion(s):] [●]

**THIRD PARTY INFORMATION**

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

Signed on behalf of the Issuer:

By: .....

Duly authorised

## **PART B – OTHER INFORMATION**

### **1. LISTING AND TRADING**

- (i) Listing: [London]
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange’s professional securities market with effect from [●].]  
[Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on London Stock Exchange’s professional securities market with effect from [●].]
- (iii) Estimate of total expenses related to admission to trading: [●]

### **2. RATINGS**

- Ratings: The Instruments to be issued [have [not ]been / are expected to be] rated:  
[S&P: [●]]  
[Moody's: [●]]  
[[Fitch: [●]]

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

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

### **4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- (i) [Reasons for the offer/use of proceeds: [●]]
- (ii) [Estimated net proceeds:] [●]
- (iii) [Estimated total expenses:] [●]

### **5. [Fixed Rate Instruments only – YIELD**

- Indication of yield: Calculated as [●] on the Issue Date  
The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### **6. [Index Linked Instruments only – PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING**

- (i) Name of underlying index: [U.K. Retail Prices Index (RPI) (all items) published by the Office for National Statistics] / [U.K. Consumer Prices Index (CPI) (all items) published by the Office for National Statistics / U.K. Consumer Prices Index including Owner Occupiers’ Housing costs and Council Tax (CPIH) (all items) published by the Office for National Statistics] / [Non-revised Harmonised Index of



Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union published by Eurostat (HICP)]

- (ii) Information about the Index, its volatility and past and future performance can be obtained from: Information on [RPI/CPI/CPIH/HICP] can be found at [www.statistics.gov.uk / www.epp.eurostat.ec.europa.eu]

## 7. OPERATIONAL INFORMATION

- ISIN: [●]
- Common Code: [●]
- CFI: [●], as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
- FISN: [●], as updated, as set out on the website of the Association of National Numbering Agencies or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN
- Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/[●]]
- Delivery: Delivery [against/free of] payment
- Names and addresses of additional Paying Agent(s) (if any): [●]
- [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

Process Agent <sup>§§§</sup> :	[National Grid Australia Pty Limited ACN 115 132 164/Not Applicable]
The aggregate principal amount of the Instruments issued has been translated into Euro at the rate of [●], producing a sum of (for Instruments not denominated in Euro):	[Not Applicable/Euro [●]]
Benchmarks Regulation:	Amounts payable under the Instruments will be calculated by reference to [[ <i>specify benchmark</i> ] which is provided by [ <i>administrator legal name</i> ]]. As at the date hereof, [[ <i>administrator legal name</i> ][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 ( <i>Register of administrators and benchmarks</i> ) of Regulation (EU) 2016/1011]/[As far as the Issuer is aware, as at the date hereof, [ <i>specify benchmark</i> ] [does not fall within the scope of Regulation (EU) 2016/1011] [by virtue of Article 2 of that regulation/the transitional provisions in Article 51 of Regulation (EU) 2016/1011 apply] such that [ <i>administrator legal name</i> ] is not currently required to obtain authorisation or registration (or if located outside the EU, recognition, endorsement or equivalence)]/[Not Applicable]

## 8. DISTRIBUTION

(i) U.S. Selling Restrictions:	Reg. S Compliance Category 2; [TEFRA C / TEFRA D / TEFRA not applicable]
(ii) Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable]
(iii) [Prohibition of Sales to Belgian Consumers:	[Applicable/Not Applicable]]
(iv) Method of distribution:	[Syndicated/Non-syndicated]
(v) If syndicated, names of Managers:	[Not Applicable/give names]
(vi) Stabilisation Manager(s) (if any):	[Not Applicable/give names]
(vii) If non-syndicated, name of Dealer:	[Not Applicable/give name]
(viii) Additional selling restrictions:	[Not Applicable/give details]

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<sup>§§§</sup> Applicable for Australian Domestic Instruments only.

## GENERAL INFORMATION

1. The admission of the Programme to listing on the Official List of the FCA and to trading on the Market and the PSM is expected to take effect on or about 1 August 2019. The listing of the Instruments on the Official List will be expressed as a percentage of their nominal amount (exclusive of accrued interest). Any Tranche of Instruments intended to be admitted to listing on the Official List of the FCA and admitted to trading on the Market or the PSM, as the case may be, will be so admitted to listing and trading upon submission to the FCA and the London Stock Exchange (in accordance with their rules and procedures) of the relevant Final Terms and any other information required by the FCA and the London Stock Exchange, subject in each case to the issue of the relevant Instruments. Prior to official listing, dealings will be permitted by the Market or the PSM, as the case may be, in accordance with their respective rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.
2. National Grid has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Instruments.
3. NGET has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Instruments.
4. The establishment of the Programme was authorised by a resolution of the Finance Committee of the Board of Directors of National Grid (which was established by a resolution of the Board of Directors of National Grid passed on 21 October 2002) passed on 23 October 2002.
5. The establishment of the Programme was authorised by resolutions of the Finance Committee of the Board of Directors of NGET (which was established by a resolution of the Board of Directors of NGET passed on 19 November 2002) passed on 19 November 2002.
6. The update of the Programme was authorised by resolutions of the Finance Committee of the Board of Directors of National Grid (which was established by a resolution of the Board of Directors of National Grid passed on 21 October 2002) passed on 28 October 2004, 23 April 2007, 26 January 2010 and 26 June 2012.
7. The update of the Programme was authorised by resolutions of the Finance Committee of the Board of Directors of NGET (which was established by a resolution of the Board of Directors of NGET passed on 19 November 2002) passed on 28 October 2004, 23 April 2007, 26 January 2010 and 26 June 2012.
8. There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which National Grid is aware) during the 12 months preceding the date of this Prospectus which may have, or have in such period or in the recent past had, significant effects on the financial position or profitability of National Grid or of the National Grid Group.
9. There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which NGET is aware) during the 12 months preceding the date of this Prospectus which may have, or have in such period or in the recent past had, significant effects on the financial position or profitability of NGET or of the NGET Group.
10. There has been no significant change in the financial performance or position of National Grid or the National Grid Group since 31 March 2019 to the date of this Prospectus and no material adverse change in the prospects of National Grid since 31 March 2019.
11. There has been no significant change in the financial performance or position of NGET or the NGET Group since 31 March 2019 to the date of this Prospectus and no material adverse change in the prospects of NGET since 31 March 2019.

12. Deloitte LLP, of 1 New Street Square, London, United Kingdom, EC4A 3HQ (registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales), have audited, and rendered unqualified audit reports on, the consolidated financial statements prepared under IFRS of National Grid for the years ended 31 March 2018 and 31 March 2019.
13. Deloitte LLP, of 1 New Street Square, London, United Kingdom, EC4A 3HQ (registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales), have audited, and rendered unqualified audit reports on, the consolidated financial statements prepared under IFRS of NGET for the years ended 31 March 2018 and 31 March 2019.
14. Each Instrument, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code”.
15. Instruments have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). Instruments may also be held through and cleared in CDS. The Common Code and the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Instruments will be set out in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system(s) as shall have accepted the relevant Instruments for clearance together with any further appropriate information. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
16. For a period of 12 months following the date of this Prospectus, copies of the following documents will be available on the website of National Grid (<https://investors.nationalgrid.com/debt-investors/debt-information>):
  - (a) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus;
  - (b) the Articles of Association of National Grid;
  - (c) the Articles of Association of NGET;
  - (d) the audited consolidated financial statements of National Grid for the financial years ended 31 March 2018 and 31 March 2019, respectively, together with the audit report thereon and any consolidated interim financial statements of National Grid published subsequently to such financial statements; and
  - (e) the audited consolidated accounts of NGET for the two financial years ended 31 March 2018 and 31 March 2019, respectively, together with the audit report thereon.
17. In addition, this Prospectus is and, in the case of Instruments to be admitted to the Official List and admitted to trading on the Market or the PSM, the relevant Final Terms will be, available on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html). Unless otherwise stated in the applicable Final Terms, the Issuers do not intend to provide post-issuance information in connection with any issue of Instruments.
18. National Grid and NGET can issue Index Linked Instruments, where the amounts payable in respect of such Instruments is derived either (i) the U.K. Consumer Prices Index (CPI), (ii) the U.K. Consumer Prices Index including Owner Occupiers’ Housing costs and Council Tax (CPIH) (iii) the U.K. Retail Prices Index (RPI) or (iv) the Non-revised Harmonised Index of Consumer Prices excluding tobacco (HICP). Further information on the CPI, CPIH, RPI and HICP (including past and

current levels) can be found at [www.statistics.gov.uk](http://www.statistics.gov.uk) and [www.epp.eurostat.ec.europa.eu](http://www.epp.eurostat.ec.europa.eu), respectively.

19. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuers and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers' or Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the relevant Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Instruments issued under the Programme. Any such positions could adversely affect future trading prices of Instruments issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.
20. The Legal Entity Identifier ("LEI") of National Grid is 8R95QZMKZLJX5Q2XR704.
21. The LEI of NGET is 5XJXCCYG4SDKFJ5WLB02.

**REGISTERED OFFICE OF EACH OF THE ISSUERS**

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**THE DEALERS**

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5 The North Colonnade  
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United Kingdom

**HSBC Bank plc**  
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London E14 5HQ

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**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Warf  
London E14 4QA

**MUFG Securities EMEA plc**  
Ropemaker Place  
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*To the Issuers*

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**The Law Debenture Trust Corporation p.l.c.**

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**ISSUING AND PAYING AGENT**

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London E14 5AL

**PAYING AGENT**

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**CANADIAN PAYING AGENT**

**BNY Trust Company of Canada**

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Toronto ON, M5J 0B6  
Canada

**INDEPENDENT AUDITORS TO EACH OF THE ISSUERS**

**Deloitte LLP**

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