AFFINITY WATER FINANCE PLC

(incorporated with limited liability in England and Wales with registered number 11674789)

(Legal Entity Identifier: 213800SN9HLGE6532G57)

£2,500,000,000 Multicurrency Programme for the Issuance of Guaranteed Bonds financing
Affinity Water Limited

(incorporated with limited liability in England and Wales with registered number 02546950)

On 18 January 2013, Affinity Water Programme Finance Limited ("**AWFL**"), entered into a multicurrency programme for the issuance of up to £2,500,000,000 Guaranteed Bonds (the "**Programme**"). The Programme was last updated on 3 November 2017. This Prospectus supersedes the prospectus relating to the Programme dated 3 November 2017 and any supplementary prospectuses thereto.

On 22 January 2019, AWFL was substituted with Affinity Water Finance PLC (the "**Programme Issuer**") as the issuer of all Bonds (as defined below) previously issued by AWFL and accordingly the Programme Issuer has succeeded AWFL as the issuer under the Programme. AWFL was transferred out of the Financing Group (as defined herein) on 22 January 2019. References to AWFL in this Prospectus are made where the context necessitates and for information purposes.

The payment of all amounts owing in respect of the bonds issued under the Programme (the "**Bonds**") will be unconditionally and irrevocably guaranteed by Affinity Water Holdings Limited ("**AWHL**"), Affinity Water Limited ("**AWL**") and Affinity Water Finance (2004) plc (the "**Existing Issuer**") as described herein. The Existing Issuer, the Programme Issuer, AWHL and AWL are together referred to herein as the "**Obligors**". AWHL has no significant assets other than the shares in its wholly-owned subsidiary, AWL.

Application has been made to the Financial Conduct Authority (the "**FCA**") under part VI of the Financial Services and Markets Act 2000, as amended ("**FSMA**") for Bonds issued under the Programme during the period of twelve months after the date hereof, 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 Bonds to be admitted to trading on the London Stock Exchange's Main Market (the "**Market**"). References in this Prospectus to Bonds being "**listed**" (and all related references) shall mean that such Bonds have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). The Market is a regulated market for the purposes of Article 2(1)(13A) of the Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (the "**UK MiFIR**"). The relevant Final Terms (as defined below) in respect of the issue of any Bonds will specify whether or not such Bonds will be listed on the Official List and admitted to trading on the Market. Bonds issued under this Programme may be listed or unlisted.

This Prospectus has been approved as a base prospectus by the FCA, as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Programme Issuer, the Obligors or the quality of the Bonds that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Bonds.

The Bonds may be issued on a continuing basis to one or more of the Dealers specified under Chapter 1 "*The Parties*" and any additional Dealer appointed under the Programme from time to time by the Programme Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "**relevant Dealer**", in the case of an issue of Bonds being (or intended to be) subscribed by more than one Dealer, shall be to all Dealers agreeing to subscribe to such Bonds or to procure subscriptions for such Bonds, as the case may be.

Under the Programme, Bonds may be issued as Bearer Bonds or Registered Bonds (each as defined below). Interests in a Temporary Global Bond (as defined below) will be exchangeable for interests in a Permanent Global Bond (as defined below) or definitive bonds in bearer form on or after the date 40 days after the later of the commencement of the offering and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership or to the effect that the holder is a U.S. person who purchased in a transaction that did not require registration under the Securities Act (as defined below) and as may be required by U.S. tax laws and regulations, as more fully described in Chapter 9 "Forms of the Bonds".

See Chapter 4 "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Arranger

Lloyds Bank Corporate Markets

Dealers

Barclays | **Lloyds Bank Corporate Markets** | **National Australia Bank Limited**

NatWest | **RBC Capital Markets**

The date of this Prospectus is
28 February 2025

Under the Programme, the Programme Issuer may, subject to all applicable legal and regulatory requirements, from time to time issue Bonds in bearer or registered form (respectively "**Bearer Bonds**" and "**Registered Bonds**"). Copies of each Final Terms (as defined below) will be available (in the case of all Bonds) from the specified office set out below of Deutsche Trustee Company Limited as bond trustee (the "**Bond Trustee**"), (in the case of Bearer Bonds) from the specified office set out below of each of the Paying Agents (as defined below) and (in the case of Registered Bonds) from the specified office set out below of each of the Registrar and the Transfer Agent (each as defined below), provided that, in the case of Bonds which are not listed on any stock exchange, copies of the relevant Final Terms will only be available for inspection by the relevant Bondholders.

The maximum aggregate nominal amount of all Bonds from time to time Outstanding (as defined below) under the Programme will not exceed £2,500,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

Details of the aggregate principal amount, interest (if any) payable, the Issue Price (as defined below) and any other conditions not contained herein, which are applicable to each Tranche of each Sub-Class of each Class of each Series (all as defined below) will be set forth in a final terms (the "**Final Terms**") which, in the case of Bonds to be admitted to the Official List and to trading on the Market, will be delivered to the FCA and the London Stock Exchange on or before the relevant date of issue of the Bonds of such Tranche.

Bonds issued by the Programme Issuer under the Programme will be issued in series (each a "**Series**") and in one or more of two classes (each a "**Class**") and will be designated as one of Class A Bonds or Class B Bonds. Each Class may comprise one or more sub-classes (each a "**Sub-Class**") with each Sub-Class pertaining to, among other things, the currency, interest rate and Maturity Date (as defined below) of the relevant Sub-Class. Each Sub-Class may be zero coupon, fixed rate, floating rate or index-linked Bonds and may be denominated in sterling, euro or U.S. dollars (or in other currencies subject to compliance with applicable laws). Bonds may be issued in one or more tranches (each a "**Tranche**"), the specific terms of each Tranche being identical in all respects, save for the issue dates, interest commencement dates and/or issue prices, to the terms of the other Tranches of such Sub-Class.

As of the date of this Prospectus, each Class of Bonds is expected on issue to have the following credit ratings:

Class	**Moody's**	**S&P**	**Fitch**
Class A Bonds	A3 (Stable)	BBB+ (Negative outlook)	BBB+ (Stable)
Class B Bonds	Baa3 (Stable)	BBB- (Negative outlook)	BBB- (Stable)

See Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Trigger Events, paragraph (xv) (Credit Rating Downgrade)*" and Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Trigger Events Consequences*" for a description of the possible consequences of rating action taken by the Rating Agencies, including as a result of AWL's failure to deliver its commitments under a Final Determination (as defined below) or for any other reason.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the European Economic Area ("**EEA**") and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**EU CRA Regulation**") or (2) provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (3) provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. In general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not (1) issued by a credit rating agency established in the UK and registered under the UK CRA Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**") or (2) provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (3) provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation.

The credit ratings included or referred to in this Prospectus will be treated for the purposes of the UK CRA Regulation as having been issued by S&P Global Ratings UK Limited ("**S&P**"), Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Ltd. ("**Fitch**", and, together with Standard & Poor's and Moody's, the "**Rating Agencies**"). Each of Moody's, Standard & Poor's and Fitch are established in the United Kingdom and are each registered under the UK CRA Regulation. For the purposes of the EU CRA Regulation, the credit rating issued by Moody's, S&P and Fitch have been endorsed by Moody's Deutschland GmbH, S&P Global Ratings Europe Limited, and Fitch Ratings Ireland Ltd respectively, which are credit ratings agencies established in the EU and registered under the EU CRA Regulation.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or all of the Rating Agencies. A suspension, reduction or withdrawal of the rating assigned to any of the Bonds may adversely affect the market price of such Bonds.

The European Securities and Market Association ("**ESMA**") is obliged to maintain on its website, www.esma.europa.eu, a list of credit rating agencies registered in accordance with the EU CRA Regulation and the FCA maintains on its website, www.fca.org.uk, a list of credit rating agencies registered in accordance with the UK CRA Regulation. These lists are updated after the adoption by ESMA or the FCA, respectively, of any decisions to withdraw the registration of a credit rating agency under the EU CRA Regulation or the UK CRA Regulation, respectively. However, such lists are not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated list.

Each Sub-Class of Bearer Bonds will be represented on issue either by a temporary global bond in bearer form, without interest coupons (each a "**Temporary Global Bond**") or a permanent global bond in bearer form, without interest coupons (each a "**Permanent Global Bond**" and, together with each Temporary Global Bond, the "**Global Bonds**"), in each case as specified in the relevant Final Terms. If the Global Bonds are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form, the Global Bonds may be eligible collateral for Eurosystem monetary policy. Global Bonds issued in NGN form will be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A.("**Clearstream, Luxembourg**"). Registered Bonds will be represented by registered certificates (each a "**Certificate**") and, save as provided in Condition 2(c) (*Exercise of Options or Partial Redemption in Respect of Registered Bonds*), each Certificate shall represent the entire holding of the Registered Bonds by the same Bondholder. Registered Bonds issued in global form will be represented by registered global certificates (each a "**Global Bond Certificate**"). If a Global Bond Certificate is held under the new safekeeping structure (the "**NSS**") the Global Bond Certificate will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg and/or any other relevant clearing system. Global Bonds which are not issued in NGN form ("**CGNs**") and Global Bond Certificates which are not held under the NSS will be deposited on or prior to the original issue date of the Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and/or any other relevant clearing system.

In relation to any issue of Bonds which are either a Temporary Global Bond exchangeable for Definitive Bearer Bonds in circumstances other than in the limited circumstances specified in the Permanent Global Bond, such Bonds may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and multiples thereof.

If any withholding or deduction for or on account of tax is applicable to the Bonds, payments of interest on, principal of and premium (if any) on, the Bonds will be made subject to such withholding or deduction, without the Programme Issuer being obliged to pay any additional amounts as a consequence.

In the case of any Bonds which are to be admitted to trading on a regulated market within the UK or offered to the public in a Member State of the EEA or the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation or the UK Prospectus Regulation (as applicable), the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Bonds). Bonds may be issued in such denominations and higher integral multiples of a smaller amount specified in the relevant Final Terms.

Amounts payable under the Bonds may be calculated by reference to: (i) Sterling Overnight Index Average ("**SONIA**"), which is provided by the Bank of England; (ii) the Euro Interbank Offered Rate ("**EURIBOR**"), which is provided by the European Money Markets Institute (the "**EMMI**"); (iii) the Retail Price Index ("**RPI**"), which is provided by the Office for National Statistics; (iv) the Consumer Price Index ("**CPI**"), which is provided by the Office for National Statistics; (v) CPI including owner-occupiers' housing costs ("**CPIH**"), which is provided by the Office for National Statistics or (vi) the Harmonised Index of Consumer Prices ("**HICP**"), which is provided by Eurostat. As at the date of this Prospectus, the EMMI (as administrator for EURIBOR) appears, on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**")

As far as the Programme Issuer is aware, SONIA, RPI, CPI and CPIH do not fall within the scope of the UK Benchmarks Regulation by virtue of Article 2 of the UK Benchmarks Regulation. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Programme Issuer does not intend to update the Prospectus to reflect any change in the registration status of the administrator. In addition, the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that EMMI is not currently required to obtain authorisation or registration under the UK Benchmarks Regulation.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by benchmark reforms, investigations and licensing issues in making any investment decisions with respect to Bonds linked to a "benchmark".

IMPORTANT NOTICE

This Prospectus comprises a base prospectus for the purposes of the UK Prospectus Regulation.

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

This Prospectus, together with all documents which are deemed to be incorporated herein by reference (see "*– Documents Incorporated by Reference*" below), comprise a base prospectus for the purposes of Article 8 of the UK Prospectus Regulation and for the purpose of giving information with regard to the Programme Issuer, the Guarantors and the Bonds which, according to the particular nature of the Programme Issuer, the Guarantors and the Bonds to be issued by the Programme Issuer, is material to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and the prospects of the Programme Issuer, the Guarantors and the rights attaching to such Bonds and the reasons for the issuance and its impact on the Programme Issuer and the Guarantors.

Each of the Programme Issuer and the other Obligors accepts responsibility for the information contained in this Prospectus and the Final Terms for each Tranche of Bonds issued under the Programme. To the best of the knowledge of the Programme Issuer and each of the other Obligors, the information contained in this Prospectus and the Final Terms for each Tranche of Bonds issued under the Programme is in accordance with the facts and the Prospectus as completed by the Final Terms for each Tranche of Bonds issued under the programme makes no omissions likely to affect the import of such information.

The information relating to the Hedging Counterparties contained in Chapter 11 "*Description of the Hedging Counterparties*" has been accurately reproduced and as far as the Programme Issuer is aware and is able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Copies of each set of Final Terms (in the case of Bonds to be admitted to the Official List) will be available from the specified office set out below of each of the Paying Agents or the Registrar and Transfer Agents (as applicable) and from the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html (the "**Regulatory News Service**"). The contents of this website, other than copies of those documents incorporated by reference into this Prospectus, are for information purposes only and do not form part of this Prospectus. See also Chapter 14 "*General Information*" for more details.

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

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Prospectus in connection with the Programme Issuer, any member of the Financing Group (as defined below) or the Affinity Group (as defined below) or the offering or sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorised by the Programme Issuer, any member of the Financing Group, the Affinity Group, the Dealers and their affiliates, the Arranger, the Bond Trustee, the Security Trustee or any Other Party (as defined below).

Neither the delivery of this Prospectus nor any offering or sale of Bonds made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Programme Issuer or any member of the Financing Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it was supplied or, if different, the date indicated in the document containing the same. Unless otherwise indicated herein, all information in this Prospectus is given as of the date of this Prospectus. This document does not constitute an offer of, or an invitation by, or on behalf of, the Programme Issuer or any Dealer or the Dealers' affiliates to subscribe for, or purchase, any of the Bonds.

Save for the Programme Issuer and the other Obligors, no other party has separately verified the information contained herein (other than, in respect of the Hedging Counterparties, the information in Chapter 11 "*Description of the Hedging Counterparties*"). Neither the Arranger or the Dealers nor any of their respective affiliates have authorised the whole or any part of this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Dealer (or its affiliates), the Arranger, the Bond Trustee, the Security Trustee or any of the Hedging Counterparties, the Liquidity Facility Providers, the Authorised Credit Providers, the Agents, the Account Bank, the Standstill Cash Manager, the Finance Lessors or the members of the Affinity Group (other than the Programme Issuer and the other Obligors) or any person affiliated with any of them (each as defined below and, together, the "**Other Parties**") as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Bonds or their distribution (other than, in respect of the Hedging Counterparties, the information in Chapter 11 "*Description of the Hedging Counterparties*"), and none of the Other Parties takes responsibility for the acts or omissions of the Programme Issuer, the Guarantors or any other person (other than the relevant Other Party) in connection with the issue and offering of the Bonds. The statements made in this paragraph are without prejudice to the respective responsibilities of the Programme Issuer and the other Obligors. Each person receiving this Prospectus acknowledges that such person has not relied on any Dealer (or its affiliates), the Arranger, the Bond Trustee or the Security Trustee or any Other Party in connection with its investigation of the accuracy of such information or its investment decision (other than, in respect of the Hedging Counterparties, the information in Chapter 11 "*Description of the Hedging Counterparties*").

None of the Programme Issuer, the other Obligors, any member of the Financing Group or the Affinity Group, the Arranger, the Dealers (or their affiliates), the Bond Trustee, the Security Trustee or the Other Parties accept responsibility to investors for the regulatory treatment of their investment in the Bonds (including (but not limited to) whether any transaction or transactions pursuant to which Bonds are issued from time to time is or will be regarded as constituting a "securitisation" for the purpose of Regulation (EU) 2017/2402 (the EU Securitisation Regulation) or as it forms part of domestic law by virtue of the EUWA (the UK Securitisation Regulation) by any regulatory authority in any jurisdiction). If the regulatory treatment of an investment in the Bonds is relevant to any investor's decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors are referred to Chapter 4 "*Risk Factors*" of this Prospectus for further information.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Obligors is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct or that there has been no adverse change in the financial position of the Programme Issuer or the other Obligors as of any time subsequent to the date indicated in the document containing the same. None of the Dealers and their affiliates, the Arranger, the Bond Trustee, the Security Trustee or the Other Parties expressly undertakes to review the financial condition or affairs of any of the Obligors during the life of the Programme or to advise any investor in the Bonds of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Bonds.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Programme Issuer, any member of the Financing Group, any member of the Affinity Group, any Dealer (or its affiliates), the Bond Trustee, the Security Trustee or any of the Other Parties that any recipient of this Prospectus should purchase any of the Bonds.

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

None of the Arranger, the Dealers, the Bond Trustee, the Security Trustee or the Other Parties accepts any responsibility for any social, environmental and sustainability assessment of any Bonds issued as Green Bonds (as defined below) or makes any representation or warranty or assurance whether such Bonds will meet any investor expectations or requirements regarding such "green", "sustainable", "social" or similar

labels (including but not limited to Regulation (EU) 2020/852 (the "**Sustainable Finance Taxonomy Regulation**") on the establishment of a framework to facilitate sustainable investment (the "**EU Sustainable Finance Taxonomy**") and any related technical screening criteria, and the 'EuGB' or 'European Green Bond' label or the optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds under Regulation (EU) 2023/2631 (the "**EU Green Bond Regulation** "), Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("**SFDR**") and any implementing legislation and guidelines, or any similar legislation in the United Kingdom or any market standards or guidance, including green, sustainable or social bond principles or other similar principles or guidance published by ICMA (the "**ICMA Principles**") or any requirements of such labels or market standards as they may evolve from time to time). None of the Arranger, the Dealers, the Bond Trustee, the Security Trustee or the Other Parties is responsible for (i) the use or allocation of proceeds for any Bonds issued as Green Bonds, (ii) the impact, monitoring or reporting in respect of such use of proceeds, or (iii) the alignment of any Green Bonds with the Affinity Water Green Finance Framework or alignment of the Affinity Water Green Finance Framework with the applicable ICMA Principles, (iv) nor do any of the Arranger, the Dealers, the Bond Trustee, the Security Trustee or the Other Parties undertake to ensure that there are at any time sufficient Eligible Green Projects (as defined in Chapter 10 "*Use of Proceeds*" below) to allow for allocation of a sum equal to the net proceeds of the issue of such Green Bonds in full.

In addition, none of the Arranger, the Dealers, the Bond Trustee, the Security Trustee or the Other Parties is responsible for the assessment of the Affinity Water Green Finance Framework (as defined in Chapter 10 "*Use of Proceeds*" below) including the assessment of the applicable eligibility criteria in relation to Green Bonds set out in therein. DNV Business Assurance Services UK Limited has issued a Second Party Opinion (as defined below). The Second Party Opinion provides an opinion on certain environmental and related considerations and is not intended to address any credit, market or other aspects of an investment in any Bonds including without limitation market price, marketability, investor preference or suitability of any security. The Second Party Opinion is a statement of opinion, not a statement of fact. No representation or assurance is given by the Arranger, the Dealers, the Bond Trustee, the Security Trustee or the Other Parties as to the suitability or reliability of the Second Party Opinion or any opinion, review or certification of any third party (including any post-issuance reports prepared by an external reviewer) made available in connection with an issue of Bonds issued as Green Bonds. In respect of any Green Bonds issued, a third-party consultant will provide a Green External Review (as defined below).

As at the date of this Prospectus, the providers of such opinions, reviews, certifications and post-issuance reports are not subject to any specific regulatory or other regime or oversight. The EU Green Bond Regulation will introduce a supervisory regime of external reviewers of bonds labelled as 'European Green Bonds' but this is not due to take full effect until 21 June 2026. The Second Party Opinion and any other such opinion, review, certification or post-issuance report is not, nor should be deemed to be, a recommendation by the Arranger, the Dealers, the Bond Trustee, the Security Trustee or the Other Parties, or any other person to buy, sell or hold any Green Bonds and is current only as of the date it is issued. Prospective investors must determine for themselves the relevance of any such opinion, review, certification, or post-issuance report and/or the information contained therein. The criteria and/or considerations that form the basis of the Second Party Opinion or any such other opinion, review, certification or post-issuance report may change at any time and the Second Party Opinion may be amended, updated, supplemented, replaced and/or withdrawn. The Affinity Water Green Finance Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Prospectus. The Affinity Water Green Finance Framework, the Second Party Opinion and any other such opinion, review, certification or post-issuance report does not form part of, nor is incorporated by reference in, this Prospectus.

In the event any Green Bonds are, or are intended to be, listed, or admitted to trading on a dedicated "green", "sustainable", "social" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Arranger, any of the Dealers, the Bond Trustee, the Security Trustee or the Other Parties that such listing or admission will be obtained or maintained for the lifetime of such Green Bonds.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Bonds may be restricted by law in certain jurisdictions. None of the Obligors, the Dealers, the Bond Trustee, the Security Trustee or the Other Parties represents

that this Prospectus may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Obligors, the Dealers, the Bond Trustee, the Security Trustee or the Other Parties which would permit a public offering of any Bonds or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States, the EEA and the UK. See Chapter 13 "*Subscription and Sale*".

THE BONDS AND THE GUARANTEES IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE BONDS MAY INCLUDE BEARER BONDS THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS.

SUBJECT TO CERTAIN EXCEPTIONS, THE BONDS AND THE GUARANTEES IN RESPECT THEREOF MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER BONDS, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")).

THE BONDS AND THE GUARANTEES IN RESPECT THEREOF ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF BONDS AND THE GUARANTEES IN RESPECT THEREOF AND DISTRIBUTION OF THIS PROSPECTUS SEE CHAPTER 13 "*SUBSCRIPTION AND SALE*".

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

PROHIBITION OF SALE TO EEA RETAIL INVESTORS - The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of 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 (the "**EU PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS - The Bonds 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 United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in the UK Prospectus Regulation. Consequently, no key information document required by the Regulation (EU) 1286/2014 as it

forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Bonds may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Bonds and which channels for distribution of the Bonds are appropriate. Any person subsequently offering, selling or recommending the Bonds (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 Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination may 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 Bonds is a manufacturer in respect of such Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR Product Governance / target markets

The Final Terms in respect of any Bonds may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Bonds and which channels for distribution of the Bonds are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

Singapore SFA Product Classification

Unless otherwise stated in the applicable Final Terms in respect of any Bonds issued or to be issued under the Programme, all Bonds issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) 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).

The distribution of this Prospectus and the offering, sale or delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Programme Issuer, the other Obligors and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Bonds and on distribution of this Prospectus, see Chapter 13 "*Subscription and Sale*". This Prospectus does not constitute, and may not be used for the purposes of, an offer to or solicitation by any person to subscribe or purchase any Bonds in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

All references herein to "**pounds**", "**sterling**" or "**£**" are to the lawful currency of the United Kingdom, all references to "**$**", "**U.S.$** ", "**U.S. dollars**" or "**dollars**" are to the lawful currency of the United States of America, and references to "**€**", "**Euro**" or "**euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, from time to time.

In connection with the issue and distribution of any Tranche of Bonds, a Dealer or Dealers (if any) designated as the stabilisation manager(s) (the "Stabilisation Manager(s)") or any persons acting on behalf of any Stabilisation Manager(s) may over-allot or effect transactions with a view to supporting the market price of the Bonds of the Series of which such Tranche forms part at a level higher than

that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Bonds and 60 days after the date of the allotment of the relevant Tranche of Bonds. Any stabilisation action or over allotment shall be conducted by the relevant Stabilisation Manager or any persons acting on behalf of any Stabilisation Manager(s) in accordance with all applicable laws and rules.

IMPORTANT LEGAL INFORMATION

NOTICE TO INVESTORS

Bonds issued under the Programme may not be a suitable investment for all investors. Investors must determine the suitability of any investment in light of their own circumstances. In particular, investors may wish to consider, either on their own or with the help of their financial and other professional advisers, whether the investors:

(a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained or incorporated by reference in this Prospectus (and any applicable supplement to this Prospectus);

(b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact the relevant Bonds will have on your overall investment portfolio;

(c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency which you usually use;

(d) understand thoroughly the terms of the Bonds and are familiar with the behaviour of any relevant indices and financial markets;

(e) are able to evaluate (either alone or with the help of your financial adviser) possible scenarios for economic, interest rate and other factors that may affect your investment and your ability to bear the applicable risks; and

(f) understand the accounting, legal, regulatory and tax implications of a purchase, holding and/or disposal of an interest in the relevant Bonds.

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

None of the Dealers, the Obligors, the Bond Trustee, the Security Trustee, the Other Parties or any of their respective affiliates makes any representation to any investor in the Bonds regarding the legality of its investment under any applicable laws. Any investor in the Bonds should be able to bear the economic risk of an investment in the Bonds for an indefinite period of time.

No person is or has been authorised by the Programme Issuer, the Dealers, the Bond Trustee or the Security Trustee to give any information or to make any representation not contained in or not consistent with this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Programme Issuer, the Dealers, the Bond Trustee or the Security Trustee.

Neither the publication of this Prospectus nor the offering, sale or delivery of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Programme Issuer or the Guarantors since the date of this Prospectus or that there has been no adverse change in the financial position of the Programme Issuer since the date of this Prospectus or that any other information supplied in connection with the offering of the Bonds is correct as of any time subsequent to the date indicated in the document containing the same. None of the Dealers, the Bond Trustee or the Security Trustee undertake to review the financial condition or affairs of the Programme Issuer during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention.

Neither this Prospectus nor any other information supplied in connection with the offering of the Bonds should be considered as a recommendation by the Programme Issuer, the Dealers, the Bond Trustee or the Security Trustee that any recipient of this Prospectus or any other information supplied in connection with the offering of the Bonds should purchase any Bonds. You should determine for yourself the relevance of the information contained in this Prospectus and any purchase of Bonds should be based upon such investigation as you deem necessary.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any parent company or affiliate of the Dealers is a licensed broker or dealer in that jurisdiction and so agrees,

the offering shall be deemed to be made by the Dealers or such parent company or affiliate on behalf of the Programme Issuer in such jurisdiction.

THE DEALERS, THE BOND TRUSTEE, THE SECURITY TRUSTEE AND THE OTHER PARTIES

To the fullest extent permitted by law, none of the Bond Trustee, the Security Trustee, the Dealers or the Other Parties (or their affiliates) accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by the Bond Trustee, the Security Trustee, a Dealer or the Other Parties (or its affiliate) or on its behalf in connection with the Programme Issuer or the issue and offering of the Bonds. The Bond Trustee, the Security Trustee, each Dealer and the Other Parties (and its affiliates) accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

NO INCORPORATION OF WEBSITES

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding AWL's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to AWL's services), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of AWL, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding AWL's present and future business strategies and the environment in which AWL will operate in the future. The important factors that could cause AWL's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, legislative, regulatory or other circumstances affecting anticipated revenues, costs or capital expenditure requirements, future climatic and environmental conditions, future economic conditions including changes in customer demand, development of competition within the water supply and water recycling industry and changes in capital market conditions. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". These forward-looking statements speak only as of the date of this Prospectus. The Programme Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

ALTERNATIVE PERFORMANCE MEASURES

The certain information in this Prospectus and/or information incorporated by reference into the Prospectus includes measures which might be viewed as alternative performance measures (or APMs) as defined in the European Securities and Markets Authority (ESMA) Guidelines. APMs are non-IFRS measures and should be viewed as a supplement to, or as complementing, disclosures that have been prepared in accordance with other applicable regulations such as IFRS and should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

(a) the audited unconsolidated annual report and financial statements of the Existing Issuer for the years ended 31 March 2024 (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/Investor_Library/2024/Affinity-Water-Finance-(2004)-PLC-2024.pdf) and 31 March 2023 (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/Investor_Library/2023/Affinity-Water-Finance-(2004)-PLC-2023.pdf), each of which have been previously published and which have been filed with the FCA;

(b) the "financials" section on pages 170 to 223 and the "principal risk and uncertainties" section on pages 81 to 89 of the annual report and financial statements of AWL for the years ended 31 March 2024 ("**Affinity Water Annual Report & Financial Statements 2024**") (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/annual_reports/2024/31833-Affinity-Water-AR-2024.pdf), which has been previously published and filed with the FCA;

(c) the "financials" section on pages 218 to 271 of the annual report and financial statements of AWL for the years ended 31 March 2023 (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/annual_reports/2023/Affinity-Water-Limited-2023-Annual-Report-and-Financial-Statements.pdf), which has been previously published and filed with the FCA;

(d) the audited unconsolidated annual report and financial statements of AWHL for the years ended 31 March 2024 (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/Investor_Library/2024/Affinity-Water-Holdings-Limited-2024.pdf) and 31 March 2023 (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/Investor_Library/2023/Affinity-Water-Holdings-Limited-2023.pdf) each of which have been previously published and which have been provided to the FCA;

(e) the audited unconsolidated annual report and financial statements of the Programme Issuer for the years ended 31 March 2024 (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/Investor_Library/2024/Affinity-Water-Finance-PLC-2024.pdf) and 31 March 2023 (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/Investor_Library/2023/Affinity-Water-Finance-PLC-2023.pdf) each of which have been previously published and which have been filed with the FCA;

(f) the "Terms and Conditions of the Bonds" on pages 115 to 149 (inclusive) of the base prospectus dated 18 January 2013 in connection with the Affinity Water Programme Finance Limited £2,500,000,000 Multicurrency programme for the issuance of guaranteed bonds (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/financial/listing-presentation/prospectus.pdf);

(g) the "Terms and Conditions of the Bonds" on pages 130 to 164 (inclusive) of the base prospectus dated 1 September 2015 in connection with the Affinity Water Programme Finance Limited £2,500,000,000 Multicurrency programme for the issuance of guaranteed bonds (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/financial/listing-presentation/aw-update-2015-base-prospectus.pdf) ; and

(h) the "Terms and Conditions of the Bonds" on pages 132 to 164 (inclusive) of the base prospectus dated 3 November 2017 in connection with the Affinity Water Programme Finance Limited £2,500,000,000 Multicurrency programme for the issuance of guaranteed bonds (at the date of this Prospectus available at https://www.affinitywater.co.uk/docs/financial/listing-presentation/aw-update-2017-base-prospectus.pdf),

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference 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 this Prospectus. Any information or documents which are themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Where only certain parts of a document are incorporated by reference in this Prospectus, the non-incorporated parts are either not relevant to the investor or are covered elsewhere in this Prospectus.

Save as explicitly stated, no material appearing in footnotes with links to external or third-party websites are, or shall be deemed to be, incorporated in, or form part of, this Prospectus.

AWL will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to AWL at its offices set out at the end of this Prospectus.

An electronic copy of the Prospectus, copies of the documents deemed to be incorporated by reference in this Prospectus, each supplementary prospectus and, where relevant, copies of the Final Terms may be viewed on:

(a) https://www.affinitywater.co.uk; and/or

(b) the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html.

In reference to the contents of this Prospectus:

(a) any information or documents themselves incorporated by reference in the documents incorporated by reference;

(b) the hyperlinks included in this Prospectus or included in any documents incorporated by reference into the Prospectus (other than those listed above, linking to copies of documents incorporated by reference herein); and

(c) the websites and their content other than copies of those documents deemed to be incorporated by reference into this Prospectus,

are not incorporated into, and do not form part of, this Prospectus and have not been scrutinised or approved by the FCA.

Each of the Obligors has undertaken to the Dealers in the Dealership Agreement (as defined in Chapter 13 "*Subscription and Sale*") to comply with Section 81 of the FSMA.

SUPPLEMENTAL PROSPECTUS

The Programme Issuer has undertaken, in connection with the admission of the Bonds to the Official List and to trading on the Market, that, if there shall occur any significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of any Bonds whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Programme Issuer, and the rights attaching to the Bonds, the Programme Issuer shall prepare a supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent issue by the Programme Issuer of Bonds and will supply to each Dealer and the Bond Trustee such number of copies of such supplement hereto or replacement prospectus as such Dealer and Bond Trustee may reasonably request, pursuant to Article 23 of the UK Prospectus Regulation. The Programme Issuer will also supply to the FCA such number of copies of such supplement hereto or replacement prospectus as may be required by the FCA.

If the terms of the Programme are modified or amended in a manner which would make this Prospectus, as so modified or amended, inaccurate or misleading, a new prospectus will be prepared.

If at any time the Programme Issuer shall be required to prepare a supplemental prospectus pursuant to Article 23 of the UK Prospectus Regulation, the Programme Issuer shall prepare and make available an appropriate supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Bonds to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by the FCA and Article 23 of the UK Prospectus Regulation.

FINAL TERMS

In the following paragraphs, the expression "**necessary information**" means, in relation to any Tranche of Bonds, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Programme Issuer and of the rights attaching to the Bonds. In relation to the different types of Bonds which may be issued under the Programme, the Programme Issuer has endeavoured to include in this Prospectus all of the necessary information except for information relating to the Bonds which is not known at the date of this Prospectus and which can only be determined at the time of an individual issue of a Tranche of Bonds.

Any information relating to the Bonds which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Bonds will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in the Prospectus, in which case, such information will be contained in a supplement to this Prospectus.

For a Tranche of Bonds which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Prospectus and must be read in conjunction with this Prospectus. The terms and conditions applicable to any particular Tranche of Bonds which is the subject of the relevant Final Terms, are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

TABLE OF CONTENTS

Page

IMPORTANT NOTICE v
IMPORTANT LEGAL INFORMATION xi
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS xiii
DOCUMENTS INCORPORATED BY REFERENCE xiv
SUPPLEMENTAL PROSPECTUS xvi
FINAL TERMS xvii
CHAPTER 1 THE PARTIES 19
CHAPTER 2 OVERVIEW OF THE PROGRAMME 22
CHAPTER 3 OVERVIEW OF THE FINANCIAL STRUCTURE 31
CHAPTER 4 RISK FACTORS 35
CHAPTER 5 DESCRIPTION OF THE FINANCING GROUP 74
CHAPTER 6 REGULATION OF THE WATER INDUSTRY IN ENGLAND AND WALES 98
CHAPTER 7 OVERVIEW OF THE FINANCING AGREEMENTS 135
CHAPTER 8 TERMS AND CONDITIONS OF THE BONDS 181
CHAPTER 9 FORM OF THE BONDS 231
PRO FORMA FINAL TERMS 236
CHAPTER 10 USE OF PROCEEDS 249
CHAPTER 11 DESCRIPTION OF THE HEDGING COUNTERPARTIES 252
CHAPTER 12 TAX CONSIDERATIONS 257
CHAPTER 13 SUBSCRIPTION AND SALE 259
CHAPTER 14 GENERAL INFORMATION 263
CHAPTER 15 FINANCIAL INFORMATION 266
CHAPTER 16 GLOSSARY OF DEFINED TERMS 267
INDEX OF DEFINED TERMS 328

CHAPTER 1
THE PARTIES

Programme Issuer

Affinity Water Finance PLC, a company incorporated under the laws of England and Wales with registered number 11674789. Affinity Water Finance PLC was incorporated on 13 November 2018 for the purpose of replacing Affinity Water Programme Finance Limited, a Cayman Island registered entity as the original issuer of certain Bonds under the Programme as principal debtor under the Bonds and such replacement took effect on 22 January 2019 (the "**Substitution**" and "**Substitution Date**").

Following the Substitution Date, the Programme Issuer became the issuer of the following pre-existing Bonds under the Programme:

(a) Sub-Class A2 £250,000,000 4.50 per cent. guaranteed bonds due 2036;

(b) Sub-Class A3 £190,000,000 1.548 per cent. RPI-linked guaranteed bonds due 2045;

(c) Sub-Class A4 £85,000,000 3.278 per cent. guaranteed bonds due 2042;

(d) Sub-Class A5 £60,000,000 2.699 per cent. guaranteed bonds due 2033;

(e) Sub-Class A6 £60,000,000 0.23 per cent. CPI-linked guaranteed bonds due 2042; and

(f) Sub-Class B1 £10,000,000 1.024 per cent. RPI-linked guaranteed bonds due 2033.

The Programme Issuer is also the issuer of the following private placement notes:

(a) Class A £130,000,000 0.1 per cent. CPI-linked guaranteed green notes due 2038; and

(b) Class B £95,000,000 3.249 per. cent. RPI-linked guaranteed notes due 2033.

The Programme Issuer is a wholly-owned subsidiary of AWL.

Existing Issuer

Affinity Water Finance (2004) plc is a special purpose vehicle incorporated in England and Wales with limited liability with company number 05139236, and is the issuer of the £250,000,000 5.875 per cent. guaranteed bonds due 2026 guaranteed by AWL (the "**Existing Issuer Bonds**"). The Existing Issuer is a wholly-owned subsidiary of AWL. The Existing Issuer is not entitled to issue Bonds under the Programme.

AWL

Affinity Water Limited, a company incorporated with limited liability in England and Wales (registered number 02546950), which holds an Instrument of Appointment dated August 1989 under sections 11 and 14 of the Water Act 1989 (as in effect on 1 September 1989) (as amended/varied from time to time and as appended to the variation instrument dated 20 July 2012 and effective as of 23:59 on 27 July 2012, as amended from time to time) under which the Secretary of State for the Environment appointed

	AWL as a water undertaker under the WIA for the areas described in the Instrument of Appointment (the "**Instrument of Appointment**"). AWL is a wholly-owned subsidiary of AWHL.
AWHL	Affinity Water Holdings Limited, a company incorporated with limited liability in England and Wales (registered number 08350099). AWHL is a wholly-owned subsidiary of Holdco.
Holdco	Affinity Water Holdco Finance Limited, a company incorporated with limited liability in England and Wales (registered number 10954556). AWHL is a wholly-owned subsidiary of Parent.
Parent	Affinity Water Capital Funds Limited, a private company incorporated with limited liability in England and Wales (registered number 02630142).
Guarantors/Obligors	Pursuant to the terms of the Security Agreement (i) AWHL guarantees the obligations of AWL, the Programme Issuer and the Existing Issuer under each Finance Document in favour of the Security Trustee and (ii) AWL, the Programme Issuer and the Existing Issuer, each guarantee the obligations of each other (but not those of AWHL) under each Finance Document in favour of the Security Trustee. AWHL, AWL, the Programme Issuer and the Existing Issuer are collectively referred to herein as the "**Guarantors**" or "**Obligors**" and each a "**Guarantor**" or "**Obligor**".
Financing Group	The Financing Group comprises AWHL, AWL, the Programme Issuer, the Existing Issuer, the Existing Dormant Subsidiaries and any Permitted Subsidiaries. AWL is entitled to incorporate additional issuers (each a "**Permitted Additional Issuer Subsidiary**") provided that they meet the requirements applicable to the Permitted Subsidiaries. The CTA provides that each Permitted Additional Issuer Subsidiary will be treated for the purposes of all restrictions and permissions as if it were the Programme Issuer.
Existing Dormant Subsidiaries	Three Valleys Water Limited, Tendring Hundred Water Services Limited, Folkestone and Dover Water Services Limited and White Cliffs Water Limited (but only for as long as they remain dormant).
Affinity Group	Daiwater Investment Limited, a private company incorporated with limited liability in England and Wales (registered number 10738347) and its Subsidiaries from time to time.
Arranger	Lloyds Bank Corporate Markets plc.
Dealers	Barclays Bank PLC, Lloyds Bank Corporate Markets plc, National Australia Bank Limited (ABN 12 004 044 937), NatWest Markets Plc and RBC Europe Limited will act as dealers (together with any other dealer appointed from time to time by the Programme Issuer and the other Guarantors, the "**Dealers**") generally with respect to the Programme, to be specified for each issue if and when confirmed.
Existing Hedging Counterparties	HSBC Bank plc, Lloyds Bank Corporate Markets plc, National Australia Bank Limited (ABN 12 004 044 937), Royal Bank of Canada, NatWest Markets Plc, BNP Paribas, Banco Santander S.A., Barclays Bank PLC and Nomura International plc are each an "**Existing Hedging Counterparty**". The Existing Hedging

	Counterparties are under no obligation to enter into any Treasury Transactions after the Initial Issue Date.
Hedging Counterparties	The Existing Hedging Counterparties and each counterparty to a Hedging Agreement which was party to the STID on the Initial Issue Date and any counterparty who will become a party to the STID in accordance with the STID at any time thereafter, and "**Hedging Counterparty**" means any of such parties.
Bond Trustee	Deutsche Trustee Company Limited acts as trustee (the "**Bond Trustee**") for and on behalf of the holders (the "**Bondholders**") of the Bonds.
Security Trustee	Deutsche Trustee Company Limited acts as security trustee for itself and on behalf of the Secured Creditors (as defined below) (the "**Security Trustee**").
Existing Issuer Bond Trustee	Deutsche Trustee Company Limited acts as trustee for and on behalf of the holders of the Existing Issuer Bonds.
Secured Creditors	The Secured Creditors comprise any person who is a party to, or has acceded to, the STID as a Secured Creditor.
Existing Authorised Credit Providers	Barclays Bank PLC and Lloyds Bank plc (the "**Existing Authorised Credit Providers**").
Liquidity Facility Providers	The DSR Liquidity Facility Providers and the O&M Reserve Facility Providers.
Finance Lessors	Any financial lessor which enters into or has entered into financial leases with AWL after the Initial Issue Date (together the "**Finance Lessors**").
Paying Agents	Deutsche Bank AG, London Branch acts as principal paying agent (the "**Principal Paying Agent**" and, together with any other paying agents appointed by the Programme Issuer, the "**Paying Agents**") to provide certain issue and paying agency services to the Programme Issuer in respect of the Bearer Bonds and Registered Bonds.
Account Bank	Barclays Bank PLC, acting through its London office and any person for the time being acting as Account Bank (the "**Account Bank**").
Cash Manager	AWL (the "**Cash Manager**"), or during a Standstill Period, Barclays Bank PLC (the "**Standstill Cash Manager**").
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A. acts as transfer agent (the "**Transfer Agent**") and provides certain transfer agency services to the Programme Issuer in respect of the Registered Bonds. Deutsche Bank Luxembourg S.A. acts as registrar (the "**Registrar**") and provides certain registrar services to the Programme Issuer in respect of the Registered Bonds.

CHAPTER 2
OVERVIEW OF THE PROGRAMME

The following does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the Conditions of any particular Tranche of Bonds, the applicable Final Terms. Words and expressions not defined in this section shall have the same meanings as defined in Chapter 8 "*Terms and Conditions of the Bonds*".

Description	Guaranteed Bond Programme.
Programme Size	Up to £2,500,000,000 (or its equivalent in other currencies calculated as described herein) aggregate nominal amount of Bonds outstanding at any time.
Issuance in Classes	Bonds issued by the Programme Issuer under the Programme have been and will be issued in Series, with each Series belonging to one of two Classes. The Bonds issued by the Programme Issuer are and will be designated as one of Class A Bonds or Class B Bonds. Each Class comprises one or more Sub-Classes of Bonds with each Sub-Class pertaining to, among other things, the currency, interest rate and Maturity Date of the relevant Sub-Class and each Sub-Class can be issued in one or more Tranches, the specific terms of each Tranche of a Sub-Class being identical in all respects, save for the issue dates, interest commencement dates and/or issue prices, to the terms of the other Tranches of such Sub-Class. The specific terms of each Tranche of Bonds will be set out in the applicable Final Terms.
Issue Dates	4 February 2013 (the "**Initial Issue Date**") and thereafter, the date of issue of a Tranche of Bonds as specified in the relevant Final Terms (each an "**Issue Date**").
Distribution	Bonds have been and may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Certain Restrictions	Each issue of Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply has been and will only be issued in circumstances in which such laws, guidelines, regulations, restrictions or reporting requirements are complied with from time to time, including the restrictions applicable at the date of this Prospectus. See Chapter 13 "*Subscription and Sale*". **Bonds with a maturity of less than one year** Bonds having a maturity of less than one year from the Issue Date will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See Chapter 13 "*Subscription and Sale*".
Currencies	Euro, sterling, U.S. dollars and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Programme Issuer and the relevant Dealer.

Maturities	Such maturities as may be agreed between the Programme Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Programme Issuer or the Relevant Currency (as defined in the Conditions).
Issue Price	Bonds have been and will be issued on a fully-paid basis and may be issued at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.
Interest	Bonds are and will be unless otherwise specified in the relevant Final Terms, interest-bearing and interest is or will be calculated (unless otherwise specified in the relevant Final Terms) on the Principal Amount Outstanding (as defined in the Conditions) of such Bond. Interest accrues or will accrue at a fixed or floating rate (plus, in the case of Indexed Bonds, amounts in respect of indexation) and is or will be payable in arrear, as specified in the relevant Final Terms, or on such other basis and at such rate as may be so specified. Interest is or will be calculated on the basis of such Day Count Fraction (as defined in the Conditions) as may be agreed between the Programme Issuer and the relevant Dealer as specified in the relevant Final Terms.
Form of Bonds	The Bonds in issue have been issued under the Programme in bearer form. Each Sub-Class of Bonds will be issued in bearer or registered form as described in Chapter 9 "*Form of the Bonds*". Registered Bonds will not be exchangeable for Bearer Bonds and Bearer Bonds will not be exchangeable for Registered Bonds.
Fixed Rate Bonds	Fixed Rate Bonds bear or will bear interest at a fixed rate of interest payable on such date or dates as may be agreed between the Programme Issuer and the relevant Dealer and on redemption, as specified in the relevant Final Terms.
Floating Rate Bonds	Floating Rate Bonds will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the Relevant Currency governed by an agreement incorporating: (a) in the case of Bonds issued before the date of this Prospectus, the 2000 ISDA Definitions or the 2006 ISDA Definitions (each as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Bonds of the relevant Sub-Class); and (b) in the case of Bonds issued on or after the date of this Prospectus, the 2006 ISDA Definitions or the latest version of the 2021 ISDA Definitions (each as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Bonds of the relevant Sub-Class); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service (being EURIBOR or SONIA), as indicated in the applicable Final Terms.

	The margin (if any) relating to such floating rate has been or will be agreed between the Programme Issuer and the relevant Dealer for each Sub-Class of Floating Rate Bonds.
Indexed Bonds	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Indexed Bonds (including Limited Indexed Bonds as defined in Condition 7(a) (*Definitions (RPI)*)) are or may be calculated in accordance with Condition 7 (*Indexation*) by reference to the RPI, CPI or CPIH including owner occupiers' housing costs.
Other provisions in relation to Floating Rate Bonds and Indexed Bonds	Floating Rate Bonds and Indexed Bonds may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Bonds and Indexed Bonds in respect of each Interest Period, as agreed prior to issue by the Programme Issuer and the relevant Dealer, is and will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as has been and may be agreed between the Programme Issuer and the relevant Dealer.
Dual Currency Bonds	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Bonds will be made in such currencies, and based on such rates of exchange, as the Programme Issuer and the relevant Dealer may agree.
Zero Coupon Bonds	Zero Coupon Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.
Instalment Bonds	The applicable Final Terms may provide that Bonds may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.
Interest Payment Dates	Interest in respect of Fixed Rate Bonds is or will be payable annually in arrear and in respect of Floating Rate Bonds and Indexed Bonds is or will be payable semi-annually in arrear (or, in each case, as otherwise specified in the relevant Final Terms).
Redemption	The applicable Final Terms indicate or will indicate either that the relevant Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments, or for taxation reasons if applicable, or following an Index Event or (subject to the terms of the STID) following an Event of Default) or that such Bonds will be redeemable at the option of the Programme Issuer and/or the Bondholders upon giving notice to the Bondholders or the Programme Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices set out in the applicable Final Terms.
Redemption for Index Events, Taxation or Other Reasons	Upon the occurrence of certain Index Events (as set out in Condition 8(e) (*Redemption for Index Events*)), the Programme Issuer may redeem the Indexed Bonds at their Principal Amount Outstanding together with accrued but unpaid interest and amounts in respect of indexation. No single Sub-Class of Indexed Bonds may be redeemed in these circumstances unless all the other Sub-Classes of Indexed Bonds referable to the Index the subject of such Index Event are also redeemed. In addition, in the event of the Programme Issuer becoming obliged to make any deduction or withholding from payments in respect of the Bonds (although the Programme Issuer will not be obliged to pay any additional amounts in respect of such deduction or withholding)

	the Programme Issuer may (but is not obliged to) (a) use its reasonable endeavours to arrange for the substitution of another company incorporated in an alternative jurisdiction (subject to certain conditions as set out in Condition 8(f) (*Redemption for Taxation Reasons*)) and, failing this, (b) redeem (subject to certain conditions as set out in Condition 8(f) (*Redemption for Taxation Reasons*)) all (but not some only) of the Bonds at their Principal Amount Outstanding (plus, in the case of Indexed Bonds, amounts in respect of indexation) together with accrued but unpaid interest. No single Class or Sub-Class of Bonds may be redeemed in these circumstances unless all the other Classes and Sub-Classes of Bonds are also redeemed in full at the same time. In the event of AWL electing to prepay an advance under a Programme Issuer/AWL Loan Agreement where such advance was funded by the proceeds of an issuance of a Sub-Class of Bonds (in whole or in part), the Programme Issuer shall be obliged to redeem all or the relevant part of such Sub-Class of Bonds or the proportion of the relevant Sub-Class which the proposed prepayment amount bears to the amount of the relevant advance under the relevant Programme Issuer/AWL Loan Agreement. Bonds having a maturity of less than one year from the date of issue are subject to restrictions on their denomination and distribution. See "*– Certain Restrictions*" above. The Programme Issuer shall only be permitted to pay Early Redemption Amounts to the extent that in so doing it will not cause an Event of Default to occur or subsist.
Denomination of Bonds	Bonds have been and will be issued in such denominations as have been or may be agreed between the Programme Issuer and the relevant Dealer save that (i) in the case of any Bonds which are to be admitted to trading on a regulated market within the UK or offered to the public in the UK in circumstances which require the publication of a prospectus under the UK Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Bonds) and (ii) in any other case, the minimum specified denomination of each Bond will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Relevant Currency. The "Specified Denomination" will be specified in the Final Terms (see section "*– Certain Restrictions*" above). Bonds which are admitted to trading on the Market may be issued in such denomination and higher integral multiples of a smaller amount specified in the relevant Final Terms.
Taxation	Payments in respect of Bonds are and will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction, unless and save to the extent that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.
Status of the Bonds	The Bonds in issue constitute and any future Bonds issued under the Programme will constitute secured obligations of the Programme Issuer. Any Class of Bonds may comprise a number of issues in addition to the initial Tranche of such Class, each of which will be

issued on identical terms save for the first Interest Payment Date, the Issue Date and the Issue Price and will be consolidated and form a Series with the prior issues of the relevant Class.

Each Class of Bonds issued under the Programme will rank *pari passu* without preference or priority in point of security amongst themselves.

The Bonds represent the right of the holders of such Bonds to receive interest and principal payments from the Programme Issuer in accordance with the terms and conditions of the Bonds (the "**Conditions**") and the trust deed (as amended, supplemented or restated from time to time) (the "**Bond Trust Deed**") entered into by the Programme Issuer, the Obligors and the Bond Trustee in connection with the Programme.

The Class A Bonds and any further Class A Bonds issued under the Programme will rank *pari passu* with respect to payments of interest and principal. All claims in respect of the Class A Bonds and any further Class A Bonds issued under the Programme will rank in priority to payments of interest and principal due on all Class B Bonds.

In the case of interest and principal on Class B Bonds only, if, on any Interest Payment Date or any date upon which such Class B Bond is to be redeemed (in whole or in part) prior to the taking of Enforcement Action, there are insufficient funds available to the Programme Issuer to pay accrued interest or principal on the Class B Bonds (after taking into account, in respect of interest, any amounts available to be drawn under any DSR Liquidity Facility or from the Class B Debt Service Reserve Account of the Programme Issuer), the Programme Issuer's liability to pay such accrued interest or principal will be treated as not having fallen due and will be deferred until the earliest of:

(i) the next following Interest Payment Date on which the Programme Issuer has, in accordance with the Payment Priorities, sufficient funds available to pay such deferred amounts (including any interest accrued thereon);

(ii) the date on which the Class A Debt has been paid in full; and

(iii) an Acceleration of Liabilities (other than a Permitted Hedging Termination or a Permitted Lease Termination and in the case of a Permitted Share Pledge Acceleration only to the extent that there would be sufficient funds available in accordance with the Payment Priorities to pay such deferred interest or principal (including any interest accrued thereon)).

Interest will accrue on such deferred interest or principal at the rate otherwise payable on unpaid principal of such Class B Bonds.

The Class B Bonds issued under the Programme will rank *pari passu* with respect to payments of interest and principal.

Covenants

The representations, warranties, covenants (positive, negative and financial) and events of default which apply and will apply to, among other things, the Bonds are set out in the common terms agreement dated on the Initial Issue Date and as amended,

supplemented or restated from time to time (the "**CTA**") (see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement*").

Guarantee and Security

The outstanding Bonds in issue are, and further Bonds issued under the Programme will be, unconditionally and irrevocably guaranteed and secured by each of AWL, AWHL and the Existing Issuer, pursuant to a security agreement (the "**Security Agreement**") entered into by each Obligor in favour of the Security Trustee over the entire property, assets, rights and undertaking (subject to certain specified exceptions) of each such Obligor (the "**Security**"), in the case of AWL to the extent permitted by the WIA and the Instrument of Appointment. Each such guarantee will constitute a direct, unconditional and secured obligation of each such Obligor. The Security is held by the Security Trustee on trust for the Secured Creditors (as defined below) under the terms of the Security Agreement and subject to the terms of the STID (as defined below) (see Chapter 7 "*Overview of the Financing Agreements – Security Agreement*"). The Bonds (including those previously issued and any further issuance) will be backed by the Security.

The securitised assets (being AWL's business together with the facilities available to the Financing Group) have characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Bonds issued under the Programme.

Intercreditor Arrangements

The Secured Creditors and each Obligor are and will each be a party to a security trust and intercreditor deed dated on the Initial Issue Date, as amended by the Master Implementation Deed (the "**STID**"), which regulates, among other things, (i) the claims of the Secured Creditors; (ii) the exercise and enforcement of rights by the Secured Creditors; (iii) the rights of the Secured Creditors to instruct the Security Trustee; (iv) the rights of the Secured Creditors during the occurrence of an Event of Default; (v) the Entrenched Rights, Enhanced Rights Matters and Reserved Matters of each Secured Creditor; and (vi) the giving of consents and waivers and the making of amendments by the Secured Creditors (see Chapter 7 "*Overview of the Financing Agreements – Security Trust and Intercreditor Deed*").

Authorised Credit Facilities

Subject to certain conditions being met, the Programme Issuer, the Existing Issuer and AWL are permitted to incur certain indebtedness under authorised credit facilities (each an "**Authorised Credit Facility**") with an Authorised Credit Provider.

These Authorised Credit Facilities may comprise loan, hedging, finance leases, liquidity facilities and other facilities (including letter of credit facilities) subject to the terms of the CTA and the STID and subject to certain types of facilities only being available to certain Obligors (for example, finance leases are limited to AWL; the Programme Issuer is only permitted to issue Bonds, enter into Programme Issuer/AWL Loan Agreements, DSR Liquidity Facilities and Hedging Agreements; and the Existing Issuer is only permitted to enter into the Existing Issuer/AWL Loan Agreement, the Hedging Transactions and Liquidity Facilities). Each Authorised Credit Provider will be party to the CTA and the STID and may have voting rights thereunder. The Hedging Counterparties and the Existing Authorised Credit Providers constitute Authorised Credit Providers (see Chapter 7 "*Overview of the Financing Agreements*").

DSR Liquidity Facilities	AWL has agreed to maintain that (in aggregate) (i) committed DSR Liquidity Facilities in respect of Class A Debt and Class B Debt; and (ii) all amounts standing to the credit of the respective Debt Service Reserve Accounts (including the value of any Authorised Investments funded from amounts standing to the credit of the relevant Debt Service Reserve Accounts) are at least equal to the Class A Required Balance or the Class B Required Balance, as the case may be. Pursuant to the terms of each DSR Liquidity Facility Agreement entered into from time to time following the Initial Issue Date, the DSR Liquidity Facility Providers will make available to each of AWL, the Programme Issuer and the Existing Issuer a 364-day revolving credit facility (renewable in accordance with the terms of the DSR Liquidity Facility Agreement) to enable drawings to be made by AWL, the Programme Issuer or the Existing Issuer, as the case may be, to fund any debt service payments arising as a result of a Class A Debt Liquidity Shortfall and/or (subject to funds being available to cover any Class A Debt Liquidity Shortfall) Class B Debt Liquidity Shortfall, including for the repayment of outstanding drawings (other than the Standby Drawings). Subject to the terms of the STID and the CTA, the initial DSR Liquidity Facility Agreement is and any further DSR Liquidity Facilities entered into will be on such commercial terms as AWL, the Programme Issuer or the Existing Issuer, as the case may be, will agree or may agree (as applicable) with the relevant liquidity facility provider in terms of the ultimate tenor and pricing subject always to there being no downgrade or the placing on credit watch (negative) (or equivalent) of the then current ratings ascribed to any Class or Sub-Class of Bonds or the Existing Issuer Bonds as a result of entry into any new DSR Liquidity Facility.
O&M Reserve Facilities	AWL has agreed to maintain at all times an O&M Reserve Facility to be provided by the O&M Reserve Facility Providers available for drawing which, when aggregated with amounts standing to the credit of any O&M Reserve Account (including the value of any Authorised Investments funded from amounts standing to the credit of the O&M Reserve Accounts of AWL), amounts to not less than the O&M Reserve Required Amount. The initial O&M Reserve Facility was and each O&M Reserve Facility will be entered into upon the terms similar to those of the DSR Liquidity Facilities (see "*– DSR Liquidity Facilities*" above and Chapter 7 "*Overview of the Financing Agreements – Liquidity Facilities – General*").
Revolving Credit Facilities	£60 million revolving credit facility provided to AWL by Barclays Bank PLC and £40 million revolving credit facility provided to AWL by Lloyds Bank plc pursuant to the Revolving Credit Facility Agreements (the "**Revolving Credit Facilities**").
Listing	The Bonds issued on the Initial Issue Date and all subsequent issues of Bonds under the Programme up to the date of this Prospectus have been admitted to the Official List and to trading on the Market and an application will be made to admit any additional Bonds issued under the Programme to the Official List and to admit them to trading on the Market. The Bonds may also be listed on such other or further listing authority, stock exchange(s) and/or quotation

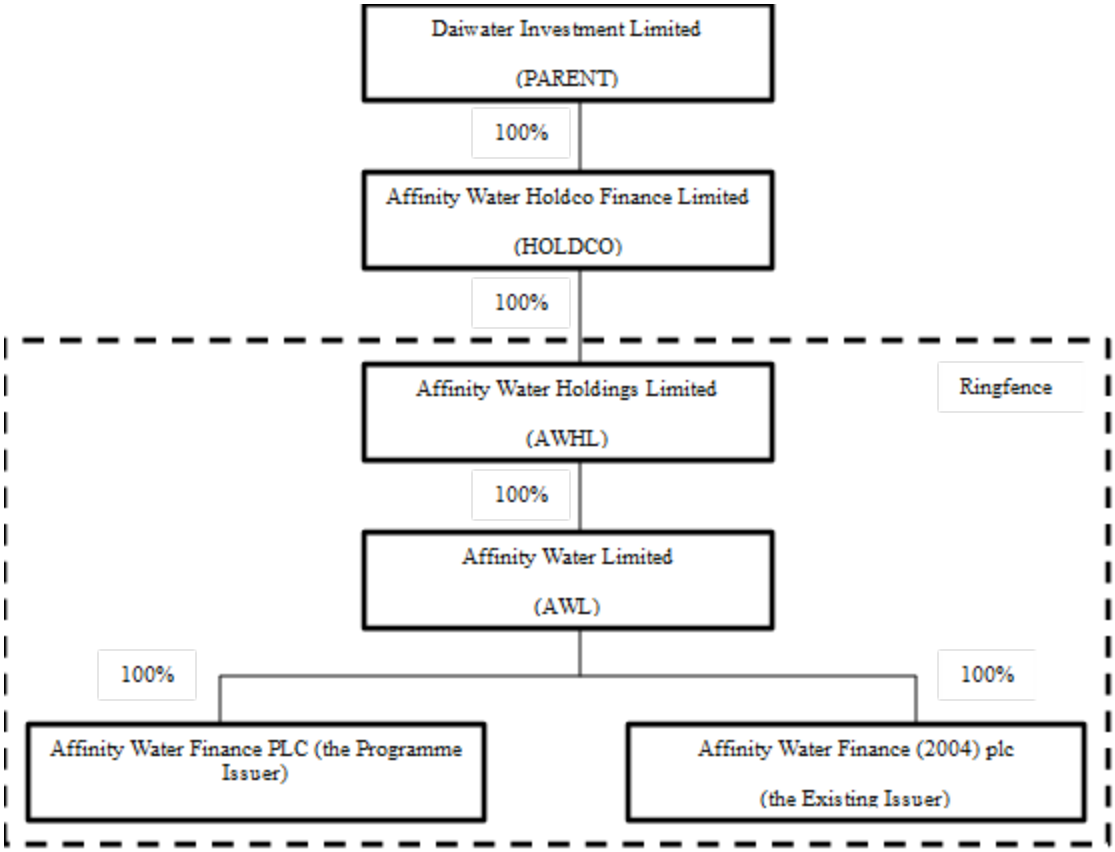
	system as may be agreed between the Programme Issuer and the relevant Dealer(s) in relation to each Series. The Bonds may be unlisted. The applicable Final Terms will state whether or not the relevant Bonds are to be listed and, if so, on which stock exchange.
Ratings	The ratings assigned to the Class A Bonds and the Class B Bonds by the Rating Agencies reflect only the views of the Rating Agencies. The initial ratings of a Series of Bonds will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the business and financial condition of AWL from time to time. A rating may be subject to suspension, change or withdrawal at any time by the assigning Rating Agency.
Governing Law	The Bonds in issue are, and new Bonds will be governed by, and construed in accordance with, English law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in the United States, the EEA, the UK and Singapore, and such other restrictions as may be required by law in the relevant jurisdiction in connection with the offering and sale of a particular Sub-Class of Bonds (see Chapter 13 "*Subscription and Sale*").
Investor Information	AWL is required to produce an investors' report (the "**Investor Report**") semi-annually to be delivered within 120 days from 31 March or 90 days from 30 September of each year. Such Investor Report will include, among other things: (i) a general overview of the AWL business in respect of the six month period ending on the immediately preceding Calculation Date; (ii) the calculations of Class A ICR, the Class A Adjusted ICR, the Class A Average Adjusted ICR, the Senior Adjusted ICR and the Senior Average Adjusted ICR for each Test Period (historical and projected); (iii) the Conformed Class A Adjusted ICR, the Conformed Class A Average Adjusted ICR, the Conformed Senior Adjusted ICR and the Conformed Senior Average Adjusted ICR for each Test Period (historical and projected); (iv) the Class A RAR and Senior RAR for each Test Period (historical and projected); and (v) reasonable detail of the computations of these financial ratios. Each such Investor Report will be made available by AWL and the Programme Issuer on AWL's website.
Private Placement	AWL may from time to time offer private placement notes in the United States on a standalone basis. If issued, such private placement notes will rank *pari passu* with and be treated for all purposes in the same manner as the Class A Debt or Class B Debt, as the case may be, save that they may have the benefit of additional representations and undertakings (in accordance with the CTA and the STID, subject to such representations and undertakings being also extended for the benefit of all other Secured Creditors).
Use of Proceeds	The estimated net proceeds from each issue of Bonds under the Programme will be on-lent to AWL under the terms of further Programme Issuer/AWL Loan Agreements to be applied by AWL for its general corporate purposes or used to repay or service the

Programme Issuer's Financial Indebtedness. If, in respect of an issue of Bonds, there is a particular use of proceeds, such as Green Bonds (as defined below), this will be stated in the applicable Final Terms.

CHAPTER 3
OVERVIEW OF THE FINANCIAL STRUCTURE

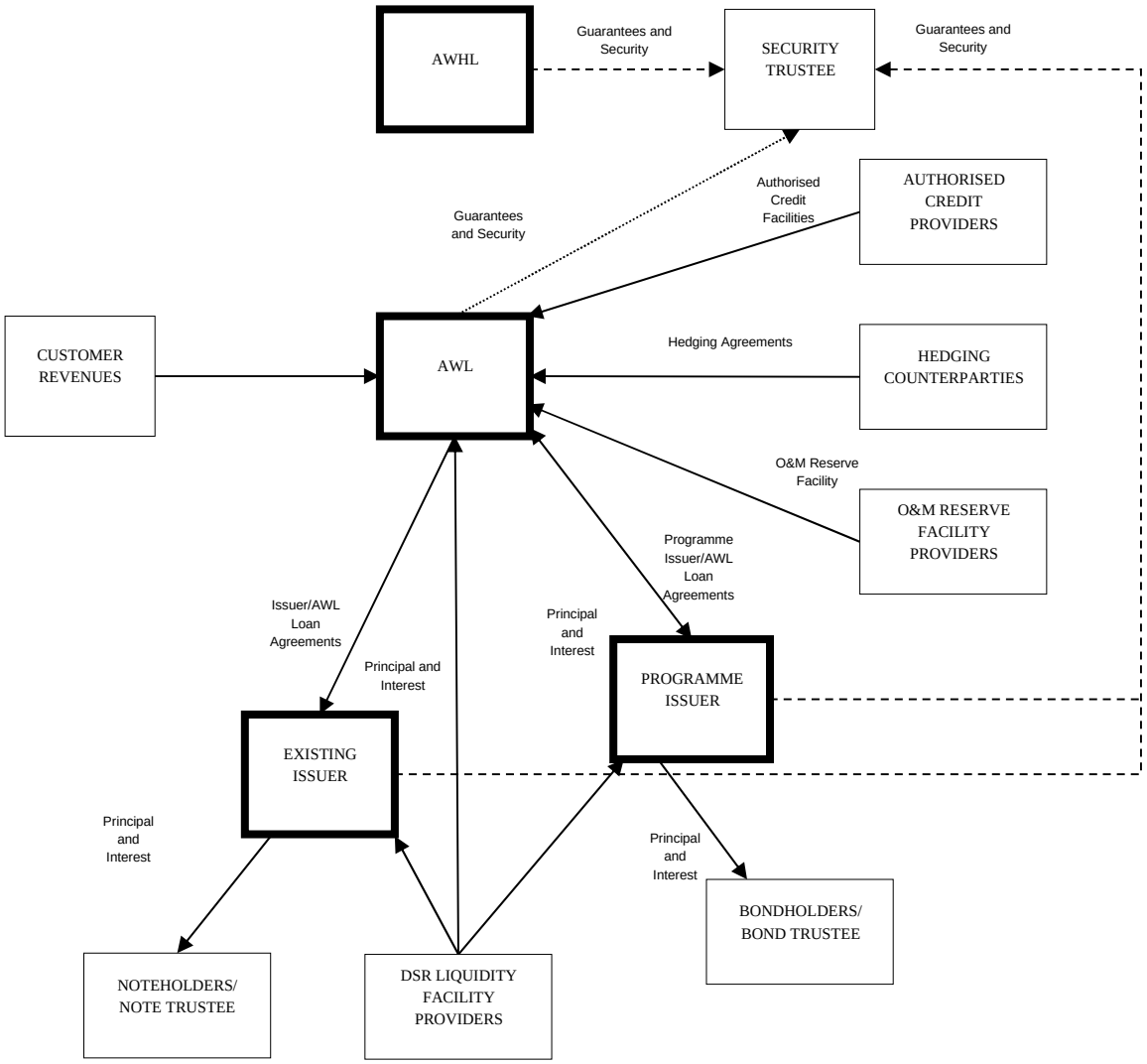
SIMPLIFIED OWNERSHIP STRUCTURE

The simplified ownership structure is as follows:



FINANCING STRUCTURE

As at the date hereof, the financing structure is as follows:



- The Programme Issuer may issue Class A Bonds or Class B Bonds under the Programme.
- AWL may borrow money from Authorised Credit Providers under Authorised Credit Facilities to repay or refinance the Financing Group's Financial Indebtedness and for general corporate purposes.
- The Programme Issuer will on-lend the proceeds of each Series of Bonds issued from time to time to AWL pursuant to a Programme Issuer/AWL Loan Agreement.
- The Programme Issuer, the Existing Issuer and AWL may also borrow money from DSR Liquidity Facility Providers under the initial DSR Liquidity Facility or any further DSR Liquidity Facilities to service certain shortfalls in meeting payments in respect of the Financing Group's indebtedness.
- AWL may additionally borrow money from O&M Reserve Facility Providers under the initial O&M Reserve Facility or any further O&M Reserve Facilities for funding AWL's operating and

maintenance expenditure and from Authorised Credit Providers under Authorised Credit Facilities for funding the working capital and Capital Expenditure requirements of AWL.

- Prior to the Initial Issue Date, the Existing Issuer had issued the Existing Issuer Bonds which, upon issue, were unsecured obligations of the Existing Issuer guaranteed by AWL. On or around the Initial Issue Date, the terms and conditions of the Existing Issuer Bonds were amended to make them subject to the terms of the CTA and STID as Class A Debt and, therefore, make them a part of the financing arrangement of the Financing Group. The listing of the Existing Issuer Bonds was transferred from the Market to the Professional Securities Market on 19 June 2014 and a further £50 million of Existing Issuer Bonds were issued on 16 July 2014.

- The Initial Existing Issuer/AWL Loan Agreement documented the terms of the advance that was made by the Existing Issuer to AWL prior to the Initial Issue Date in respect of the proceeds of the Existing Issuer Bonds. The Existing Issuer on-lent the proceeds of the further issue of £50 million of Existing Issuer Bonds to AWL pursuant to an Existing Issuer/AWL Loan Agreement dated 16 July 2014. The Existing Issuer/AWL Loan Agreements are intended to ensure that the Existing Issuer has sufficient funds, on each Payment Date in respect of the Existing Issuer Bonds to make payments due thereunder and, as such, they provide for payments to become due from AWL to the Existing Issuer on dates and in amounts that match the obligations of the Existing Issuer in respect of the Existing Issuer Bonds issued by the Existing Issuer plus a profit margin (see Chapter 7 "*Overview of the Financing Agreements – Intercompany Loan Arrangements*" for more detail). As such, the Existing Issuer/AWL Loan Agreement demonstrates a source of funds capable of servicing any payments due and payable on the Existing Issuer Bonds.

- The initial Class A Bonds and any further Class A Bonds issued by the Programme Issuer from time to time under the Programme, the Existing Issuer Bonds and the Authorised Credit Facilities form part of Class A Debt for the purposes of the STID.

- Where applicable, each of AWL, the Programme Issuer and/or the Existing Issuer will be required to hedge their respective interest rate and currency exposure (to the extent it exceeds the threshold to be specified in the Hedging Policy) under the Senior Debt by entering into interest and currency swap agreements and other hedging arrangements with Hedging Counterparties in accordance with the Hedging Policy (see Chapter 7 "*Overview of the Financing Agreements – Hedging*" for more detail). The economic effect of any hedging entered into by the Programme Issuer, or the Existing Issuer will be passed on to AWL through the relevant Programme Issuer/AWL Loan Agreement or the Existing Issuer/AWL Loan Agreements.

- Only AWL is party to the Hedging Agreements (see Chapter 7 "*Overview of the Financing Agreements – Hedging – Existing Hedging Agreements*" for more detail).

- In order to ensure that the Programme Issuer has sufficient funds on each Payment Date in respect of the Bonds to make payments due thereunder, the Programme Issuer and AWL have entered into, and (in respect of future issuances of Bonds) will enter into, a Programme Issuer/AWL Loan Agreement. Payments made by AWL under any Programme Issuer/AWL Loan Agreement enable the Programme Issuer to make payments due on the Bonds issued by the Programme Issuer. Each Programme Issuer/AWL Loan Agreement provides for payments to become due from AWL to the Programme Issuer on dates and in amounts that match the obligations of the Programme Issuer in respect of Bonds issued by the Programme Issuer plus a profit margin (see Chapter 7 "*Overview of the Financing Agreements – Intercompany Loan Arrangements*" for more detail).

- The Programme Issuer and the Existing Issuer may withdraw sums standing to the credit of the Debt Service Reserve Accounts and the Programme Issuer, the Existing Issuer and AWL may draw under any DSR Liquidity Facility to enable them to meet any shortfall in the amounts available to them on any Payment Date to pay (a) scheduled interest or certain other payments in respect of Senior Debt (including payments due to be made by AWL under the Programme Issuer/AWL Loan Agreements and the Existing Issuer/AWL Loan Agreements to enable the Programme Issuer or the Existing Issuer, as the case may be, to make interest payments due on the Bonds or, as the case may be, the Existing Issuer Bonds); or (b) certain other payments ranking in priority to or *pari passu* with the Bonds (excluding any principal repayments) (see Chapter 7 "*Overview of the Financing Agreements – Additional Resources Available – Liquidity Facilities*" for more detail).

- The respective obligations of AWL, the Programme Issuer and the Existing Issuer to each of their Secured Creditors are guaranteed by each other in favour of the Security Trustee for itself and on behalf of the Secured Creditors (including but not limited to the Bondholders) pursuant to the Security Agreement. Additionally, AWHL guaranteed in favour of the Security Trustee pursuant to the Security Agreement the respective obligations of AWL, the Programme Issuer and the Existing Issuer.

- The guarantees and security are held by the Security Trustee for itself and on behalf of the Secured Creditors, including but not limited to the Bondholders, under the terms of the STID.

CHAPTER 4
RISK FACTORS

The following sets out certain aspects of the Programme documentation and the activities of the Financing Group about which prospective Bondholders should be aware. The occurrence of any of the events described below could have a material adverse effect on the business, financial condition or results of operations of the Programme Issuer, AWL or the other Obligors or their ability to meet their obligations (including the payment of principal and interest) under the Bonds.

Prospective Bondholders should note that the risks described below are not the only risks that the Programme Issuer, AWL or the other Obligors face. The Programme Issuer, AWL and the other Obligors have described only those risks relating to their operations and the Bonds that they consider to be material. There may be additional risks that the Programme Issuer, AWL or the other Obligors currently consider not to be material or of which they are not currently aware, and any of these risks could have the effects set out above. Prospective Bondholders should read the detailed information set out elsewhere in this document prior to making any investment decision. Bondholders may lose the value of their entire investment in certain circumstances.

In addition, while the various structural elements described in this Prospectus are intended to lessen some of these risks for holders of the Bonds, there can be no assurance that these measures will ensure that the holders of the Bonds of any Tranche of any Sub-Class receive payment of interest or repayment of principal from the Programme Issuer in respect of such Bonds on a timely basis or at all. Investors may lose all or part of their investment.

In this Prospectus, any operational performance figures that are financial measures and are not disclosed in the financial statements incorporated by reference herein will need to be disclosed as alternative performance measures. Additionally, AWL is subject to economic regulation as further described in this Prospectus. As such, AWL's operational performance can impact on its financial performance through the incentives and penalties systems which Ofwat has in place. Unless specifically disclosed as such, in AWL's view, no operational performance figures provided herein are financial measures and as such are not alternative performance measures.

1. LEGAL AND REGULATORY CONSIDERATIONS

The water industry is subject to extensive legal and regulatory obligations and controls, and AWL must comply with all applicable laws, regulations and regulatory standards, as described in Chapter 6 "*Regulation of the Water Industry in England and Wales*". The UK water industry is facing unprecedented levels of scrutiny from a wide range of stakeholders, including governments and regulators, non-governmental organisations ("**NGOs**"), local communities, and other stakeholders. There is heightened focus on the environmental performance and compliance status of the industry as a whole. Stakeholder groups are increasingly calling for greater regulatory enforcement action to be taken, and the Environmental Agency (the "**EA**") has indicated that it intends to pursue more aggressive enforcement action including against directors of water companies.

The Water (Special Measures) Act (the "**Water Act 2025**"), was passed on 24 February 2025. It includes provisions to:

(a) require Ofwat to make rules (i) prohibiting the payment of bonuses to individuals in senior roles within water and sewage companies ("**WASCs**") where the company does not meet specific standards, (ii) requiring those in senior roles to meet, on a continuous basis, certain fitness and property standards and (iii) requiring a company to have arrangements in place for involving consumers in decisions likely to have a material impact on consumer matters;

(b) require WASCs to publish information on pollution incidents;

(c) have implications for environmental-related offences (in terms e.g. of standard of proof, sentencing powers); and

(d) allow the Secretary of State to modify licences to recover shortfalls in funding for a special administration from consumers.

The Water Act 2025 provides for the implementation of certain measures through secondary legislation which means that the full detail of the proposed rules may not yet be known for some time. The Water Act 2025 has potentially broad implications for WASCs in particular.

In addition, an Independent Commission into the water sector and its regulation was launched by the UK Government on 23 October 2024. The Independent Commission will report to the Government in 2025 with recommendations on how to tackle issues in the water sector to restore rivers, lakes and seas to good health, meet the challenges of the future and drive economic growth. A set of recommendations will be delivered to the DEFRA Secretary of State, the Deputy First Minister for Wales and the Cabinet Secretary for Climate Change and Rural Affairs in 2025. The UK Government and Welsh Government will then respond with the legislative proposals they intend to take forward.

On 19 December 2024, the Environment, Food and Rural Affairs Committee launched a new inquiry, *Reforming the Water Sector*, to look into the regulation of the water sector. Members of Parliament will run this piece of work as a long-term inquiry which will see them take evidence over a number of months on a range of issues including the financial stability of the water sector, support for vulnerable consumers, water security, sewage overflows and agricultural pollution, and emergency responses to flooding, outages and drought. The Environment, Food and Rural Affairs Committee held oral evidence sessions on 21 January 2025, 25 February 2025 and 26 February 2025. The new inquiry will examine the Government's work taking place in this area, including the work of the Government's Independent Commission into the water sector, which is expected to report in mid-2025.

Following the implementation of the Sentencing Council guidelines for environmental offences in July 2014, for those cases involving the highest levels of culpability (whether assessed as negligent, reckless or deliberate) and harm, the courts have the power to impose fines significantly in excess of £1 million per incident. The guidelines do not provide for any limit on the fine that can be imposed and the levels of fines for Very Large Organisations (as defined in the sentencing guidelines) can be difficult to predict. The Court of Appeal has ruled that a fine matching 100 per cent. of an organisation's pre-tax profit may not be considered to be manifestly excessive. On 15 August 2023, the EA launched an 8-week consultation on the amendments that need to be made to the EA's enforcement and sanctions policy in relation to the changes being brought in relation to civil sanctions (and specifically Variable Monetary Penalties ("**VMPs**")). The consultation closed on 8 October 2023. On 11 December 2023, the EA published its updated enforcement and sanctions policy which applies to offences that occur from 11 December 2023 onwards. Changes to VMPs were given effect by way of statutory instruments amending the Environmental Permitting (England and Wales) Regulations 2016 ("**EP Regulations 2016**") and the Environmental Civil Sanctions (England) Order 2010 (Order). Since 11 December 2023, the EA can impose potentially significant financial penalties on companies that pollute the environment without bringing criminal proceedings. The previous £250,000 cap on VMPs under the Environmental Civil Sanctions (England) Order 2010 has been removed, and the range of offences for which VMPs can be imposed has been expanded.

While the focus of these legislative and policy changes has been environmental pollution, in particular in respect of wastewater discharge (which is not relevant to AWL due to being a "water only company"), this environment could result in increased enforcement of laws, regulations and regulatory standards, by regulators and through third party claims, resulting in substantial fines, compensation payments, requirements to invest in infrastructure and increased operating costs, all of which could have a material adverse impact on the reputation, operations and financial condition of AWL. If AWL's reputation, operations or financial condition were to be so affected, there is a risk that AWL may not be able to meet its debt obligations (including the payment of principal and interest to investors). This may result in AWL's inability to make repayments under the Programme Issuer/AWL Loan Agreements and could therefore adversely impact the Programme Issuer's obligations under the Bonds.

1.1 Investigations

Companies of the size and scale of AWL are sometimes subject to various investigations, claims, disputes and potential litigation. An increase in fines, orders for compensation payments, requirements to invest and increased operating costs, could have a material adverse impact on the

operations and financial condition of AWL. If AWL's operations or financial condition were to be so affected, there is a risk that AWL may not be able to meet its debt obligations under the Programme Issuer/AWL Loan Agreements and could therefore adversely impact the Programme Issuer's obligations under the Bonds.

Additionally, on 22 March 2023, the House of Lords Industry and Regulators Committee (the "**Committee**") published a report on its inquiry into the work of Ofwat. Its key findings included that Ofwat and the EA must go further to hold water companies to account for environmental pollution through penalties and prosecution and that water companies have been overly focused on maximising financial returns at the expense of the environment, operational performance and financial sustainability. The Water Act 2025 came into force on 24 February 2025 and will provide additional regulatory tools in respect of environmental pollution (please see section 1.6 entitled "*Political Intervention in the water sector*" below for more detail).

In August 2024, the National Audit Office ("**NAO**") announced that it is undertaking a value for money study assessing the effectiveness of regulation in the water sector, looking at the work of DEFRA, Ofwat, the EA and the Drinking Water Inspectorate. It will examine the effectiveness of the regulatory framework in incentivising investment in the water sector and achieving the outcomes set for the sector. It will look at whether:

(a) government and regulators are clear what outcomes the water industry needs to achieve and the investment needed;

(b) regulation is successfully incentivising investment and meeting desired outcomes and targets; and

(c) regulators can respond to the current investment challenges.

The NAO is expected to publish its report in spring 2025.

1.2 ***Instrument of Appointment Compliance and Modification***

A failure by AWL to comply with the conditions of its Instrument of Appointment or certain statutory duties, as modified from time to time, may result in an enforcement order by Ofwat or the Secretary of State, which could have an adverse impact on AWL.

Ofwat also has the power to fine a Regulated Company up to 10 per cent. (for each respective breach) of its entire regulated turnover in the preceding 12 months if it fails to comply with certain of its statutory duties or the terms of its licence or fails to meet standards of performance. The penalty must also be reasonable in all the circumstances. The Secretary of State also has powers to impose a penalty under certain circumstances; see Chapter 6, "*Regulation of the Water Industry in England and Wales – Enforcement Powers*".

Failure to comply with certain of its statutory duties or failure to comply with an enforcement order (as well as certain other defaults) may lead to the making of a Special Administration Order (as described below). See Chapter 6, "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Special Administration Orders*".

Until 2021, the condition of AWL's Instrument of Appointment could be modified by Ofwat with AWL's consent or, in certain circumstances, without AWL's consent, following a reference to the Competition and Markets Authority (the "**CMA**"). Since the Government introduced the Environment Act 2021, AWL's Instrument of Appointment may be modified without its consent in accordance with the procedures laid down in section 12 of the WIA, as amended by the Environment Act 2021. This allows Ofwat to modify a licence without the consent of the Regulated Company, subject to consultation and a right of veto on the part of the Secretary of State. Regulated Companies have a right to appeal the modification to the CMA in line with the process set out in the WIA. See Chapter 6 "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Modification of an Instrument of Appointment*". Failure to comply with modifications to its Instrument of Appointment may result in AWL being fined or being subject to an enforcement order.

Modifications could also result from a decision on a merger or market investigation reference by the CMA. See Chapter 6, "Regulation of the Water Industry in England and Wales – Instrument of Appointment – Modification of an Instrument of Appointment" for more detail. Any modification to the conditions of the Instrument of Appointment could have a material adverse impact on the business, financial condition or operational performance of AWL.

1.3 ***Economic Regulation***

The turnover, profitability and cash flow of AWL are substantially influenced by the service levels, regulatory targets and price controls established every five years by Ofwat in its Periodic Review for out-performance / under-performance, and Ofwat's assessment of delivery against those factors. Condition B of AWL's Instrument of Appointment ("**Condition B**") provides the legal mechanism for the Periodic Review of price controls, Interim Determinations and references to the CMA. At the Periodic Review conducted by Ofwat for the purpose of setting price controls for the period 2020-2025 ("**PR19**"), Ofwat set the price controls applicable to AWL, being Retail, Water Resources (covering the abstraction of water) and Water Network Plus (covering raw water transport and storage, water treatment and the distribution of treated water).

An adverse price determination (which would affect revenue, profitability and cash flow) may occur as a result of a number of factors. These include an inadequate allowed cost of capital, calibration of risk and return, regulatory assumptions concerning operating expenditure and required capital expenditure, as well as turnover forecasts proving not to be sufficiently accurate. In addition, unforeseen financial obligations or costs may arise after a Periodic Review (for example, as a result of ensuring regulatory compliance or changes to legislation or regulatory requirements) which were not taken into account by Ofwat in setting price limits and are consequently not compensated for, which could materially adversely affect financial performance of AWL.

An adverse price determination would affect AWL's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Instrument of Appointment and legislation and ultimately affect the payment of principal and interest under the Programme Issuer/AWL Loan Agreements, and consequently the Programme Issuer's ability to meet its obligations under the Bonds issued under the Programme.

On 19 December 2024, Ofwat published its Periodic Review in connection with setting price controls for the period 2025-30 ("**PR24**"). For more information on the PR24 price determination, see Risk Factor titled "*Price Controls*". On 17 February 2025 AWL announced its acceptance of the PR24 price determination, describing it as a comprehensive investment programme designed to ensure the long-term sustainability, resilience, and affordability of AWL water services for the diverse communities it serves. AWL also announced a legally binding and unconditional commitment by its shareholders to inject £150 million equity before 31 March 2026 to support the delivery of its investment programme.

There is no guarantee that current and/or future price controls (including the PR24 FD (as defined below)) will permit the generation of sufficient revenues to enable AWL to meet its obligations under the Bonds (including the payment of principal and interest to investors). See Chapter 6 "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Recent modifications to and proposals to modify the instrument of appointment*" and Chapter 6 "*Regulation of the Water Industry in England and Wales – Economic Regulation*" for more detail.

1.4 ***Instrument of Appointment Termination***

Under the terms of the Instrument of Appointment, the Secretary of State may terminate AWL's appointment without its consent where the Secretary of State has given AWL at least 25 years' notice and that period of notice has expired. Upon expiry of the Instrument of Appointment, there can be no assurance that AWL would be re-appointed. The Instrument of Appointment may also be transferred from AWL at any time following the making of a Special Administration Order, but such an order can only be made on very specific statutory grounds.

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

Thus far there is no precedent to indicate how compulsory licence terminations or Special Administration Orders would work in practice for Regulated Companies, nor is there any precedent for such Regulated Companies to indicate the extent to which creditors' interests would be protected. See Chapter 6 "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Termination of an Instrument of Appointment*" for more detail.

The termination, non-renewal or transfer of the Instrument of Appointment could have a material adverse impact on AWL, and, consequently, on the Programme Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

1.5 ***Regulatory Changes to Increase Competition in the Water Industry***

The Water Act 2003 and the Water Act 2014 increased competition in the water industry and this may have a negative impact on AWL's business, results of operations, profitability or financial condition.

Ofwat has taken steps to introduce competition into the water supply markets via inset appointments (otherwise known as "**New Appointments and Variations**", or "**NAVs**"), the non-household retail market, site-specific new development activity and also in the supply chain for major projects (as described below).

New Appointments and Variations: NAVs allow one company to replace another as the statutory undertaker for water in a specified geographical area previously within the other Regulated Company's appointed territory. As of 24 November 2024, there have been 76 NAVs made in AWL's region and further NAVs may have been made since that date and may be made in the future. Such appointments lead to reduction in retail revenue (and costs) from any customers within an inset area that would otherwise have been supplied by AWL and may potentially result in an adverse effect on AWL's business which, in turn, may have a negative impact on the Programme Issuer's ability to service its obligations under the Bonds.

Non-household retail market: Under the WIA, new entrants are also able to apply for licences to provide a variety of upstream and retail water services.

The Water Act 2014 amended the WIA and introduced the Water Supply and/or Sewerage Licence ("**WSSL**") regime to create a new market for retail water (and, though not directly applicable to AWL's regulated business, sewerage) services to all non-household customers in England, as further described in Chapter 6 "*Regulation of the Water Industry in England and Wales*". The non-household retail market launched on 1 April 2017, replacing the previous Water Supply Licence ("**WSL**") regime. Consequently, on 1 April 2017, AWL exited the non-household retail market and its non-household customers were transferred to Affinity for Business (Retail) Limited (known as Castle Water (Southern) Limited from 3 April 2020), a water supply licensee and former associated company of AWL. As at the date of this Prospectus, Castle Water (Southern) Limited is an associated company of Castle Water Limited following the acquisition of Castle Water (Southern) Limited in April 2020, and is no longer an associate company of AWL. From 1 April 2017, AWL has continued to provide wholesale supplies of water to water supply licensees that offer retail water services to non-household consumers in the AWL water supply area.

Ofwat and the CMA have concurrent powers under the Competition Act 1998 (the "**Competition Act**") to investigate and prohibit anti-competitive agreements and conduct relating to the water sector, including with respect to the operation of the WSSL regime. These powers include the power to impose penalties of up to 10 per cent. of worldwide group-wide turnover for the business year preceding the finding of the infringement. Any agreement which infringes the Competition Act may be void and unenforceable. Breaches of the Competition Act may also give rise to claims for damages from third parties. The Enterprise Act 2002 (the "**Enterprise Act**") adds further

remedies for breach of competition law. The Enterprise Act contains criminal sanctions, including the possibility of imprisonment of individuals who have been involved in certain cartels and directors involved in breach of competition law may be disqualified. Consumer groups are able to bring actions on behalf of customers (including for damages).

Potential household retail market: In November 2015, the Government asked Ofwat to provide an assessment of the costs and benefits of extending retail competition to residential customers. Ofwat submitted its final assessment in September 2016 which concluded that evidence suggests that a net positive outcome of introduction of competition to the residential retail water market is more likely than not, with Ofwat noting that there are potential benefits worth around £2.9 billion over 30 years if competition is extended to household customers. As of the date of this Prospectus, there have been limited further developments with respect to the introduction of competition for residential customers. This market was not highlighted as an area of focus for Ofwat's competition activities under DEFRA's Strategic Policy Statement ("**SPS**") published in February 2022. A new SPS has yet to be issued.

Site-specific development activity: Site-specific infrastructure comprises of the pipes, connections and other assets local to new property developments, sometimes called "on-site" infrastructure. Property developers have been able to choose the provider of site-specific infrastructure for new developments for over 20 years and may choose AWL, their own contractors or a NAV to provide such infrastructure. Prior to AMP8, AWL's revenue and costs for this work was included within the price control, which means that any revenue under recovery or cost over-runs can be recovered either in full, or in part, at the following price review. In PR24, Ofwat removed revenue and costs for site-specific infrastructure from the wholesale price control. The prices per connection that AWL may charge for such works are now controlled through benchmarking to the prices of similar schemes where competition in the market is strongest – this is called the "tether ratio". Since AWL has a legal duty to provide site-specific infrastructure, it may need to provide new connections that competitors find least attractive, but at prices consistent with the most competitive segments of the market.

Major projects development and delivery: Ofwat define "major projects" as those with a total expenditure (totex) exceeding £200 million and meeting criteria for delivery by competitively tendered models (either Direct Procurement for Customers (DPC) or Specified Infrastructure Projects Regulations (SIPR)) and/or the Regulators' Alliance for Progressing Infrastructure Development (RAPID) project. PR24 FD assumes that such projects are competitively tendered instead of in-house provision. Whilst competitive tendering may achieve suitable solutions with appropriate risk allocation between bidders and water companies, this outcome cannot be guaranteed. Where competitive tendering approaches do not succeed, delivery may revert to in-house provision, which is not provided for within price control allowances and would therefore require an interim determination remedy. Two major schemes for the 2025-30 period involving AWL fall outside the requirement for competitive tendering, however two further schemes under development for subsequent price control periods meet the criteria.

Further market reforms and the introduction of competition into upstream activities are expected in the future. This is primarily in respect of new markets for water resources and bioresources. In both areas, Ofwat requires companies to publish information about their assets and activities that would help potential participants in those markets. Companies are also required to publish bid assessment frameworks to demonstrate that bids from third parties to provide services will be treated on a level playing field alongside in-house bids. Activity levels in both markets have been very limited to date.

A water resource bidding market was introduced in April 2020, which represents an opportunity for new sources of water to be brought forward to market and utilised by AWL to secure water supplies. However, there were no suitable third-party options advanced and included within AWL's Water Resources Management Plan ("**WRMP**") 2024.

It is not possible to assess if, or how, recent and future changes to the competitive environment will affect the interests of Bondholders. Either the extension of competition within the water industry or the bringing of proceedings against AWL in respect of its competitive position in the area in which it operates could have a material adverse impact on AWL. See Chapter 6 "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Termination of an*

Instrument of Appointment" and "*Regulation of the Water Industry in England and Wales – Competition in the Water Industry*" for more detail.

1.6 ***Political Intervention in the water sector***

AWL and the UK water industry generally continue to see a high level of scrutiny by regulators and key stakeholders, including the Government, parliamentarians and local politicians. There remains a significant amount of negative public, media and political scrutiny of the UK water industry, in particular in relation to environmental performance, executive pay, the financial resilience of water and sewerage undertakers and dividends paid to equity investors in the sector. Consequently, there are increased public demands on regulators and the Government to take action and/or reform the regulatory regime that applies to the UK water sector, including that which applies to AWL.

The Water Act 2025 was passed on 24 February 2025. It introduces changes to the regulatory regime (and its enforcement) to which AWL is subject, including changes to (a) require Ofwat to make rules (i) prohibiting the payment of bonuses to individuals in senior roles within WASCs where the company does not meet specific standards, (ii) requiring those in senior roles to meet, on a continuous basis, certain fitness and property standards and (iii) requiring a company to have arrangements in place for involving consumers in decisions likely to have a material impact on consumer matters; (b) require WASCs to publish information on pollution incidents; (c) have implications for environmental-related offences (in terms e.g. of standard of proof, sentencing powers); and allow the Secretary of State to modify licences to recover shortfalls in funding for a special administration from consumers. Additionally, the Water Act 2025 provides for the implementation of certain measures through secondary legislation which means that the full detail of the proposed rules may not yet be known for some time. The Water Act 2025 has potentially broad implications for water undertakers such as AWL and in particular for WASCs.

In addition, an Independent Commission into the water sector and its regulation was launched by the UK Government on 23 October 2024. The Independent Commission will report to the Government in 2025 with recommendations on how to tackle issues in the water sector to restore rivers, lakes and seas to good health, meet the challenges of the future and drive economic growth. A set of recommendations will be delivered to the DEFRA Secretary of State, the Deputy First Minister for Wales and the Cabinet Secretary for Climate Change and Rural Affairs in 2025. The UK Government and Welsh Government will then respond with the legislative proposals they intend to take forward.

On 19 December 2024, the Environment, Food and Rural Affairs Committee launched a new inquiry, Reforming the Water Sector, to look into the regulation of the water sector. Members of Parliament will run this piece of work as a long-term inquiry which will see them take evidence over a number of months on a range of issues including the financial stability of the water sector, support for vulnerable consumers, water security, sewage overflows and agricultural pollution, and emergency responses to flooding, outages and drought. The Environment, Food and Rural Affairs Committee held oral evidence sessions on 21 January 2025, 25 February 2025 and 26 February 2025. The new inquiry will examine the Government's work taking place in this area, including the work of the Government's Independent Commission into the water sector, which is expected to report in mid-2025.

There can be no certainty that there will not be changes to the regulatory regime to which AWL is subject. Additionally, the current Government (or any future government elected following future general elections), may take a different position to that taken by the previous government. Future intervention by the Government in the water markets, or changes in governmental policy, may affect AWL's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Instrument of Appointment and legislation and ultimately affect the payment of principal and interest under the Programme Issuer/AWL Loan Agreements, and consequently the Programme Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants*".

1.7 *Thames Water and the UK Water Sector*

On 5 April 2024, Thames Water Utilities Limited's ("**Thames Water**") indirect parent company, Kemble Water Finance Limited (rated 'RD' by Fitch), announced that it had sent formal notices of default to the holders of its debt instruments and to the respective agents under its banking facilities. In addition, on the same date Thames Water (Kemble) Finance Plc (rated 'C' by Moody's) sent formal notice of default to the note trustee in respect of its £400,000,000 4.625 per cent. Senior Secured Notes due 2026. There has been significant press speculation surrounding Thames Water's financial position since June 2023 when Thames Water's CEO Sarah Bentley resigned and ever since then Thames Water has been under significant political, regulatory and media scrutiny.

As of the date of this Prospectus, Thames Water is undergoing a restructuring process. On 18 February 2025, the restructuring plan proposed by Thames Water under Part 26A of the Companies Act 2006 (the "**Restructuring Plan**") was sanctioned by the High Court of Justice of England and Wales, which inter alia extends the maturity dates of all classes of its debt and allows super senior financing to be provided to Thames Water. Permission to appeal against the sanction of the Restructuring Plan has been granted. Thames Water has also announced that it is seeking a holistic recapitalisation transaction in the future and as of the date of the Prospectus there continues to be on-going press speculation that Thames Water may be subject to further debt restructuring or a special administration order. Neither a restructuring plan and nor the special administration regime have previously been used for a UK water company, and their application could lead to a temporary and/or permanent decrease in investor confidence for companies in the UK water sector, particularly those with higher levels of gearing.

Whilst AWL is significantly different from Thames Water in terms of the business they operate (AWL being water only company as opposed to WASCs) and their financial position, given AWL operates in the same sector as Thames Water, these factors could result in a reduced ability for AWL or the Programme Issuer to raise new capital to refinance existing indebtedness or to finance AWL's business plan. These factors could also result in a higher cost of funding for any capital raised by AWL or the Programme Issuer.

This could negatively impact AWL's business, overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Instrument of Appointment and legislation. This could affect the Programme Issuer's and AWL's ability to make timely payment of principal and interest under the Bonds.

For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants*".

2. AWL'S REVENUE AND COST CONSIDERATIONS

There are a number of other factors that may affect the revenues received by AWL including, without limitation, price controls set by Ofwat, non-recovery of customer debt and adverse weather conditions. Should any of these, or other, factors adversely affect AWL's revenues, AWL may have insufficient revenues to meet its financing obligations, which may include those obligations arising under the Bonds (including the payment of principal and interest to investors) and may impact AWL's ability to make repayments under the Programme Issuer/AWL Loan Agreements, and therefore impact the Programme Issuer's obligations arising under the Bonds.

Although: (i) Ofwat has a duty to exercise its powers in the manner that it considers is best calculated, *inter alia*, to ensure that AWL is able to finance the proper carrying out of its functions; and (ii) certain changes in circumstances can trigger adjustments to price controls between Periodic Reviews under the interim determination of price controls ("**Interim Determination**") provisions of the Instrument of Appointment and other mechanisms within price controls, as with any Regulated Company, no assurance can be given that the revenues generated by AWL from its water business will be sufficient to enable it to make full and timely payment of amounts due in respect of the Bonds. See Chapter 5, "*Description of the Financing Group*". In addition to the regulatory, legislative and political risks described above which could adversely affect the revenues of AWL, other potential events which could have a material adverse impact on AWL or result in it having insufficient revenues to meet its financing obligations include:

2.1 ***Price Controls***

Periodic reviews of price controls ("**Periodic Reviews**") have been carried out at five-yearly intervals by Ofwat whereby Ofwat sets price controls on the revenues that AWL can raise. A more detailed description on the regulatory framework is found in Chapter 6, "*Regulation of the Water Industry in England and Wales – Economic Regulation*".

The price control mechanism controls the total revenue water companies can recover from customers via bills for water supply. Certain charges are not included in the price control formula but are determined on an individual basis. The price controls are set by Ofwat for each Regulated Company individually and reflect the scale of its assumed expenditure, its cost of capital as determined by Ofwat, and its operational and environmental obligations, together with Ofwat's judgement to the scope for it to improve its efficiency.

The review for the five years to March 2025 was concluded in December 2019 and the AMP7 period started on 1 April 2020. The next set of price controls will be for the period starting in April 2025. On 13 December 2022, Ofwat published its final methodology for PR24 that sets out the framework that it will use for the next price control period running from 2025 to 2030 (the "**PR24 Final Methodology**"). The PR24 Final Methodology represents an evolution of Ofwat's PR19 methodology and emphasises that the water sector faces significant challenges, including that significantly better outcomes for the environment are required.

On 19 December 2024, Ofwat published its Periodic Review in connection with the setting price controls for the period 2025-30. The PR24 final determination ("**PR24 FD**") will see a quadrupling of new investment in the water sector over the next five years, aimed at reducing harm from storm overflows, implementing the biggest smart meter rollout to date, cutting leakage, reducing sewer flooding, replacing water mains pipes, increasing biodiversity and nature-based solutions, combatting nutrient pollution, boosting water supply, and enabling over 200 million litres of water per day to be returned to the environment. The PR24 FD allows AWL to collect £2.1 billion through bills over 2025-30. AWL's total expenditure allowance of £2.3 billion includes £1.7 billion for AWL to run the business from day-to-day, operating and maintaining its assets (also known as base expenditure allowances). It also includes £679 million for AWL to deliver the enhancement schemes it proposed in its plan (e.g., smart metering) and certain major projects. AWL is expected to achieve set outcomes in areas such as improving the environment, protecting water supply, improving services to customers, and maintaining asset health and resilience.

On 17 February 2025 AWL announced its acceptance of the PR24 price determination, describing it as a comprehensive investment programme designed to ensure the long-term sustainability, resilience, and affordability of AWL water services for the diverse communities it serves. AWL also announced a legally binding and unconditional commitment by its shareholders to inject £150 million equity before 31 March 2026 to support the delivery of its investment programme. Ofwat is under no duty to ensure the continued solvency of a Regulated Company in all circumstances and there is no assurance the PR24 price control and AWL's performance of the conditions and targets set out in the PR24 price control will permit the generation of sufficient revenues to enable AWL to carry out its functions or for the Programme Issuer to meet its obligations under the Bonds. Further details of the price review process are contained in Chapter 6, "*Regulation of the Water Industry in England and Wales – Economic Regulation*". Furthermore, there is no assurance that future price controls will permit the generation of sufficient revenues to enable AWL to carry out its functions.

Although the methodology introduced in the 1994 review — in particular the derivation of the "regulatory capital value" as the measure of capital to be remunerated — was also applied with modifications in 1999, 2004, 2009, 2014, 2019 and 2024, Ofwat is not required to apply the same or a similar methodology in future reviews. To arrive at its conclusions, Ofwat makes estimates and judgements in a number of areas, such as the scope for cost efficiencies and the setting of performance standards, which it has done historically using a wide range of comparative techniques. Judgements are also applied in estimating the sector cost of capital in determining whether or not to make allowance for the "embedded" costs of fixed rate debt and in assessing whether additional allowances are a requirement to enable companies to finance their functions.

In carrying out a review, Ofwat makes allowances on the basis of its assessment of what constitutes an efficiently managed Regulated Company. On that basis, prices are set so that Regulated Companies' revenues cover the cost of the "efficient" provision of operations and capital investment (as determined by Ofwat) including, where applicable, a company specific tax charge, and to allow a reasonable return on capital. However, Ofwat is under no duty to ensure the continued solvency of a Regulated Company in all circumstances and there is no assurance that price controls imposed by Ofwat at such reviews will permit AWL to generate sufficient revenues to enable it to finance its functions or discharge its obligations under the Programme Issuer/AWL Loan Agreement. If a Regulated Company disputes Ofwat's price determination, it may require Ofwat to refer the matter to the CMA for determination by it (after making necessary investigations). As described in Chapter 6, "*Regulation of the Water Industry in England and Wales – Economic Regulation – Interim Determinations of a price control*", an Interim Determination may be made between Periodic Reviews in specified circumstances, including the circumstances contemplated by the "Shipwreck Clause". If a Regulated Company disputes Ofwat's Interim Determination, it can require Ofwat to refer the determination to the CMA.

There is, however, no assurance that any Interim Determination sought by AWL will be made or, if an Interim Determination or determination pursuant to the provisions of the Shipwreck Clause is made, that such adjustment or determination will provide adequate revenue compensation to AWL, therefore, AWL would have to bear any additional cost from its own resources.

In particular, in relation to return on capital, Ofwat have said: *'Our final decisions will support efficient companies to raise the finance necessary to deliver the investment requirements and meet their obligations in 2025-30 and beyond. However, each water company has some discretion to make decisions about its financing and capital structure arrangements. It is Affinity Water's responsibility to maintain adequate levels of financial resilience if it is to continue to raise the capital, on reasonable terms, that is necessary to support the investment programme.'* (available at https://www.ofwat.gov.uk/wp-content/uploads/2024/12/Overview-of-Affinity-Water-PR24-final-determination.pdf, which does not form part of this Prospectus).

2.2 ***Inflation***

High global inflationary pressures have moderated over the past 12 months with UK CPI inflation returning to the target level set by the Monetary Policy Committee of the Bank of England and Monetary Policy Committee of the Bank of England since having elected to decrease the base rate of interest to 4.50 per cent. voted by a majority of 7 to 2 of the Monetary Policy Committee as announced on 6 February 2025.

Whilst Affinity Water's revenues are linked to inflation as the regulatory framework partially provides a natural hedge to inflation, it remains exposed to inflation risk on revenue and costs and its financial instruments as well as the impact inflation is having on interest rates. Due to the timing of tariff setting on revenues for the following financial year being based on the prior intra year inflation indices, this creates a potential shortfall in revenues. As these tariffs are set in advance of each financial year and cannot be adjusted intra-year, in a period of rising inflation there may be a timing mismatch or lag where there could be increased costs without a corresponding increase in revenue in the same period. Affinity Water may also come under political or regulatory pressure not to increase these tariffs in line with inflation and this would result in further revenue shortfall and mismatch which may not be recoverable in the future.

Additionally, there can be no assurance that any tariff adjustments would reflect the true rate of inflation which Affinity Water experiences for the goods and services it consumes in operating its business, including through the tariffs which Affinity Water can periodically set for customers and exposure to index linked debt, swaps and other contracts and liabilities.

Changes in the rate of inflation could lead to adverse consequences on AWL's financial performance as Affinity Water's exposure to fluctuations in inflation creates an element of unpredictability which means that Affinity Water is exposed to such risks which it cannot accurately predict and provide for in its operations, and thus impact on the Programme Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds. Affinity Water attempts to mitigate these adverse consequences by linking a significant amount of its financing to the rate of inflation through inflation-linked debt and swaps.

Failure to adapt the cost base to rising inflation could result in re-prioritisation of investment and reduced service levels, impacting customer service and operational performance, which may consequently impact AWL's business, results of operations and overall financial condition. As rates of inflation increase, this may, in certain circumstances, affect AWL's business, resulting in an adverse impact on its profitability.

In addition to changes in the rate of inflation, there is a risk that the inflation index used may also change and affect the performance of the Bonds. Starting from 2020, Ofwat announced a move from RPI to CPIH inflation indexation of prices which is expected to significantly reduce the volatility of bills because RPI is a more volatile measure of inflation than CPIH. In April 2021 the trustees of the BT, Ford and Marks & Spencer pension schemes filed an application for a judicial review, which was granted in December 2021, over the legality of the planned change to effectively replace RPI with the CPIH in 2030, which they contended could leave millions of pensioners with RPI-linked private sector final salary pensions worse off. On 1 September 2022 the High Court ruled in favour of the Government, stating the proposed changes can legally and practically be made by the Government in February 2030, adding that in a time of rising prices, it has never been more important to have accurate and trusted measures of inflation. This High Court decision will have a significant impact on index-linked gilt investors and other legacy users of RPI. CPIH applies to 50 per cent. of the existing RCV from the beginning of AMP7 (as well as to all new RCV additions from then onwards). The remaining part of the RCV from 2020 will continue to be indexed to RPI until 2025. From the AMP8 period, RCV will fully index at CPIH. See Chapter 6 "*Regulation of the Water Industry in England and Wales – Economic Regulation*" for more detail.

Periods of rising high inflation could also adversely impact the ability of AWL's customers to pay their bills resulting in increases to the non-recoverability of customer debts. The inability to recover customer debts accurately and in a timely fashion could result in a shortfall in recognised income which could impact AWL's financial condition. There may also be an increased level of bad debt, resulting in increased operating costs (increased bad debt provisioning costs and increased collection activity). Non-recovery above the allowance made by Ofwat is a risk to AWL and would cause its profitability to suffer.

These factors could affect AWL's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Finance Documents and could ultimately affect the payment of principal and interest under the Programme Issuer/AWL Loan Agreements, and consequently the Programme Issuer's ability to meet its obligations arising under the Bonds.

2.3 ***Increased Energy Costs***

As at the date of this Prospectus, energy prices continue to remain elevated. Although the day ahead price indicator has fallen significantly, it remains almost double its historical trends with a premium on forward contracts.

AWL is a large consumer of energy, representing a significant proportion of its total operating costs. Therefore, AWL is subject to the risk of increased energy costs. Wholesale energy prices continue to be highly uncertain, reflecting worsening fluctuations in global economic and political conditions.

AWL uses a hedging programme to manage exposure to wholesale energy prices. Wholesale energy costs are hedged using forward purchases of electricity from suppliers or power derivatives with financial counterparties using Nord Pool (N2EX) reference pricing. Non-wholesale costs are generally variable and directly associated with the regulated costs of transmission, distribution and environmental levies, all of which are passed through by suppliers. See Chapter 6 "*Regulation of the Water Industry in England and Wales – Energy and Climate Change*" and Chapter 5 "*Description of the Financing Group – Suppliers*" for more detail.

In the PR24 FD, Ofwat put in place a 'true-up' mechanism for allowed energy costs. Allowed costs have been set on the basis of an assumed path for the Department for Energy Security and Net Zero's ("**DESNZ**") industrial energy price series. The difference between the assumed index and the actual index measured over the 2025-30 period will be trued-up at the next price review. If AWL's actual power purchase costs exceed those implied by the assumed DESNZ index, AWL is

exposed to the excess costs in-period. Further, if its power purchase costs exceed those implied by the actual DESNZ index, it may have to return allowed costs through the true-up such that actual costs are no longer fully covered. Conversely, if power costs increase and are reflected in a higher out-turn DESNZ index than Ofwat's PR24 FD assumption, the true-up will provide additional allowed revenue in the 2030-35 period. Ofwat have indicated that the energy cost true-up arrangements for PR24 FD are likely to be discontinued in the 2030-35 period.

2.4 ***Revenue Control***

Under Ofwat's AMP7 methodology, price controls for Water Resources and Water Network Plus maintain the level of company revenue despite fluctuations in demand, with in-period adjustments according to how well the company performs in respect of its performance commitments. The controls allow for in-period adjustments to revenue, to take account of any under/over recovery of revenues in prior years. In addition, the revenue forecasting incentive allows a deadband where revenue forecasting errors of between +/- 2 per cent. of allowed revenue attract no penalties. Should forecasting errors exceed 2 per cent., a penalty rate is applied to the amount of the error and this penalty charge will be deducted from allowed revenue in subsequent years with the usual two-year lag i.e. penalties relating to forecasting errors in 2022/23 would reduce allowed revenue in 2024/25. In the case where forecasting errors exceeded 6 per cent. of allowed revenue, AWL would have to furnish an explanation to Ofwat in addition to incurring the penalty rate charge.

For PR24, Ofwat has set a revenue forecasting incentive mechanism that covers the water resources and network plus water and wastewater controls (of which wastewater controls are not relevant to AWL as a "water only company"), but not the bioresources control, retail controls and site-specific developer services revenues. Bioresources and Retail will have their own revenue reconciliations models as per PR19 (with Ofwat's intention being to fully reform Bioresources by PR29), while site-specific developer services revenues will be outside the revenue control for English water companies. The Retail revenue allowed under the current controls is based on an efficient cost to serve each residential customer and therefore will be adjusted as respective customer numbers vary from the number assumed in setting the allowed revenue. AWL's actual expenditure may be higher than its allowed expenditure, resulting in an adverse impact on its profitability.

The price controls determined by Ofwat for the AMP8 period are based, *inter alia*, on assumptions of the total expenditure ("**Totex**") a company requires to deliver its obligations. For a range of reasons, a company's expenditure in the period may exceed these assumed sums and while the terms of the price control enable a company to recover a share of any incremental expenditure required above the assumed sum from customers in 2025, the company's profitability would still be adversely affected (see Chapter 6 "*Regulation of the Water Industry in England and Wales – Economic Regulation*").

2.5 ***Capital Investment***

Failure by AWL to maintain its capital assets or deliver required outputs might affect AWL's profitability or result in a penalty being imposed on AWL by Ofwat and/or the EA.

The regulated business requires significant capital expenditure for additions to, or replacement of, plant and equipment for its water supply facilities and networks. The price controls set by Ofwat take into account the level of capital expenditure expected to be incurred during the relevant Periodic Review Period and the associated funding costs and operating costs.

If AWL is unable to maintain its capital assets or deliver required improvements at expected expenditure levels, or is unable to secure the expected level of efficiency savings on its capital investment programme, or the programme falls behind schedule or contains incorrect assumptions by AWL as to the capital investment required, AWL's profitability might suffer because of a need for increased capital expenditure. Alternatively, failure to make the required investment could result in AWL having to pay substantial penalties under the outcomes framework introduced by Ofwat at Price Review 14 ("**PR14**") and carried across into AMP7 and AMP8. AWL's ability to meet regulatory output targets and performance standards could also be adversely affected by such failure, which may result in penalties imposed by Ofwat of an amount up to 10 per cent. of turnover in the preceding 12 months and/or other regulatory action by the EA (including against directors)

which could result in substantial fines and other sanctions and the need for further increases in capital expenditure and operating expenditure by AWL.

Failure by AWL to maintain its capital assets or deliver required outputs might affect AWL's ability to meet its obligations under the Bonds (including the payment of principal and interest to investors).

2.6 ***Non-Recovery of Debts***

Non-recovery of customer debt may cause AWL to suffer losses, which could adversely affect AWL's business, results of operations, profitability or financial condition.

As with all service providers, AWL is exposed to the risk of potential non-payment by customers of their debt, which may cause AWL's profitability and operating cash flows to suffer. This risk is exacerbated by the WIA, which prohibits the disconnection for non-payment of a water supply for domestic use in any premises and the limiting of a supply with the intention of enforcing payment for domestic use in any premises, although allowance is made by Ofwat in the price controls at each Periodic Review for a proportion of debt deemed to be irrecoverable. To achieve a resetting of its price limits through an Interim Determination outside a Periodic Review Period when changes in the regulatory assumptions as to the level of non-recoverable debt are material, AWL would need to provide evidential proof that: (i) the increase was due to a deterioration in the economy; and (ii) it has put in place appropriate procedures and measures to mitigate the increase in debt levels. If the Interim Determination is unsuccessful, AWL may, suffer losses from its inability to recover its debts fully, which could have a material adverse impact on the business, financial condition or operational performance of AWL.

AWL did not experience a significant impact on the levels of delayed payments or bad debt from domestic customers due to COVID-19 but there is ongoing risk due to the cost of living challenge experienced by many customers. Dissatisfaction with the environmental performance of water companies has led customers in some parts of England and Wales to withhold some or all of their water bills and there is a risk that this practice could spread.

Failure by AWL to convert debts into cash might affect AWL's ability to meet its obligations under the Bonds (including the payment of principal and interest to investors). See Chapter 5 "*Description of the Financing Group – Bad Debt*" for more detail.

2.7 ***Performance commitments and "outcome delivery" incentives***

For each five-year AMP Period, AWL is required to achieve a number of commitments in relation to its operational performance ("**performance commitments**") across price controls in wholesale water, wholesale water network and household retail. Actual performance against these commitments will increase or decrease revenues where commitments have financial penalties associated with underperformance or rewards for outperformance (outcome delivery incentives, "**ODIs**"). These incentives are monitored during the relevant AMP Period.

The financial incentives by performance commitment are set out in Chapter 5 "*Performance commitments and incentive (ODIs)*". There is a risk that any penalties incurred may affect the Programme Issuer's ability to meet its obligations under the Bonds (including the payment of principal and interest).

2.8 ***Price Control Deliverables incentive***

In the PR24 FD, Ofwat put in place Price Control Deliverables ("**PCD**") incentives. Ofwat intend for the PCD arrangements to increase their oversight of delivery through increased reporting and enhanced assurance requirements on what companies are delivering. Further, they intend to protect customers, should water companies fail to deliver funded improvements, by returning funding to customers in cases of non-delivery. They also incentivise companies to deliver 'on time' by applying underperformance penalties should companies deliver late, alongside reward payments where companies deliver on time. The penalty rates for late delivery are set three times higher than reward rates for on time delivery. PCD incentives principally apply to enhancement expenditure, with a smaller number applicable to certain base activities, such as mains renewal. Failure by AWL

to deliver the requirements and the timetable set out in PCD incentives will result in financial penalties that would be applied as part of the 2030-35 price control review.

In addition to PCD incentives, Ofwat's PR24 FD introduces the Delayed Delivery Cashflow Mechanism ("**DDCM**"). The DDCM will claw-back a proportion of revenue associated with unspent wholesale expenditure allowances through adjustment to allowed revenues in the years following the 2025-30 period, should AWL fall behind with delivery. The DDCM changes the timing of receipt of revenues but does not remove them entirely, as allowed revenues are reinstated in the 2030-35 period, provided AWL expenditure can catch up.

2.9 *Pension Scheme*

The Affinity Water Pension Plan (the "**AWPP**") was established in February 2013, set up as an identical scheme to the Veolia UK Pension Plan, the plan in which AWL participated until 28 March 2013. The benefits of employees and former employees of AWL, along with the assets of the Veolia UK Pension Plan, were transferred into the AWPP with effect from 28 March 2013. The AWPP comprises a Defined Benefit (DB) Division and a Defined Contribution (DC) Division. The DB Division was closed to new entrants in 2004 and since then new members have only been eligible to join the DC Division, but it remains open to future accrual. The AWPP was a multi-employer sectionalised pension plan until 31 March 2015 when AWSS ceased to be a participating employer having entered a flexible apportionment arrangement with the AWPP trustee and AWL. As a result, the Shared Services section of the DB Division was consolidated with the Central, East and Southeast sections into one DB Division: the Affinity Water Pension Plan Final Salary Division. On 1 April 2017, AFBRL became a participating employer of both Divisions of the AWPP by way of a deed of participation between the pension trustee, AWL and AFBRL. AFBRL ceased to be a participating employer on 30 September 2020 following AFBRL's sale to Castle Water Limited.

Valuations of all UK defined benefit plans are required to be conducted on at least a triennial basis in accordance with legislative requirements, and the trustees and employers of the applicable plan will be required to agree a recovery plan which seeks to pay off any funding deficit disclosed in the context of such valuations over an agreed period of time. If applicable, the "funding deficit" will be the estimated shortfall in scheme assets compared with the amount required, on an actuarial calculation based on assumptions agreed between the employer and trustees in the context of the relevant valuation, to make provision for the scheme's liabilities. AWL is legally required to meet any agreed deficit repair contributions, which are payable prior to its debt servicing obligations (including under any Class A IBLA and the Class A Notes). Accordingly, AWL is exposed to the risk that its pension funding commitments may increase over time in the context of subsequent valuations of the DB Division pension scheme, which could have a material adverse effect on its business, prospects, financial condition and results of operations.

3. RISKS RELATING TO THE PROGRAMME ISSUER

There are certain legal considerations set out below that investors should be aware of which may affect AWL's ability to meet its obligations under the Bonds (including the payment of principal and interest to investors). As a result of the restrictions and potential occurrences set out below, in certain circumstances including AWL's insolvency, it might not be possible to realise sufficient amounts from enforcement of the Security to satisfy AWL's obligations under the Bonds (including the payment of principal and interest to investors).

3.1 *Ability to Grant Security*

AWL's ability to grant security over its assets and the enforcement of such Security are restricted by its Instrument of Appointment and the WIA. The substantial majority of AWL's assets by value is tangible property which is either Protected Land (as defined in the WIA) and/or are assets which are required for the carrying out of AWL's regulated business and cannot therefore be effectively secured (at least, in the case of Protected Land, without the prior consent of Ofwat). The extent of AWL's ability to grant security over its intangible property (including receivables) is also uncertain. In addition, AWL's ability to generate receivables is dependent, in any event, on its continuing to hold the Instrument of Appointment.

The Secretary of State and Ofwat have rights under the WIA to apply to the court for the appointment of a Special Administrator in certain circumstances in respect of AWL and its business. The appointment of a Special Administrator effectively places a moratorium upon any holder of security from enforcing that security. Under the WIA, there is no right to block the appointment of a Special Administrator equivalent to the right that a holder of a floating charge over the whole or of substantially the whole of the business of a non- regulated company may have, in certain circumstances, to block the appointment of a conventional Insolvency Act administrator.

There are also certain legal restrictions which arise under the WIA and the Instrument of Appointment affecting the enforcement of the security created under the Security Agreement executed by AWL. For example, such enforcement is prohibited unless the person enforcing the security has first given 14 days' notice to Ofwat or the Secretary of State hence giving time for them to exercise their rights under the WIA if they are so able and so choose. See "– *Special Administration*" below.

Accordingly, the security provided over the assets of AWL in favour of the Security Trustee in respect of the Programme Issuer's obligations under the Bonds affords significantly less protection to the Security Trustee (and, therefore, the Bondholders) than would be the case if AWL were not a Regulated Company subject to the provisions of the WIA and its Instrument of Appointment.

The considerations described above do not apply to the fixed and floating charges created under the Security Agreement by AWHL, the Programme Issuer or the Existing Issuer because they are not Regulated Companies. The enforcement of security over the shares in any company in the Financing Group, (other than AWL) including those granted by any holding company of AWL, would not be subject to the moratorium on the enforcement of security rights imposed upon Secured Creditors under the WIA if a Special Administrator is appointed, nor would the enforcement of those share charges be an event which would itself result in the making of a Special Administration Order. However, it is anticipated that any intended enforcement directly or indirectly of the Security Agreement or the security over, and subsequently any planned disposal of, the shares in AWL (over which a fixed equitable charge has been granted) would require consultation with Ofwat. In addition, it is anticipated that any intended enforcement of the security created by AWHL under the Security Agreement, to the extent that such enforcement would amount to a relevant merger situation for the purposes of the Enterprise Act or a concentration with a European Community dimension for the purposes of the European Merger Regulation, would require consultation with Ofwat and would be reviewable by the CMA or the European Commission.

No notice of the security created pursuant to the Security Documents is to be given to customers of AWL prior to the occurrence of an Event of Default. No charge over AWL's land purported to be granted is intended to be (or, indeed in most cases, capable of being) registered with HM Land Registry. Until the Security Trustee enforces its Security Interests in respect of this charge, the charge will take effect (if at all) in equity only and, thus, will be subject to prior equities and/or certain other legal rights arising in relation thereto. The Security Interests granted in favour of the Security Trustee over the shares of the Obligors are not to be legally perfected prior to the occurrence of an Event of Default and the Security Trustee may not become the relevant legal owner until such later date. Until they are perfected, these Security Interests will take effect in equity only and, thus, will be subject to prior equities (such as rights of set-off) and/or certain other legal rights arising in relation thereto.

If any Obligor were to go into administration or liquidation within two years of the granting of the security, then any floating charge created could be invalid except to the extent of monies paid, or services supplied to it at the same time or after the creation of the Security.

As a result, the amount and nature of the Security Interest provided in respect of the Bonds may not be sufficient to provide payment of amounts due and owing in respect of the Bonds. See Chapter 6 "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Security*" for more detail.

3.2 ***Special Administration***

In certain circumstances the Court may make a special administration order in relation to AWL. There can be no assurance that any transfer scheme in the context of a Special Administration regime could be achieved on terms that would enable creditors (including Bondholders) to recover amounts due to them in full.

As further disclosed in Chapter 6, "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Special Administration Orders*", the Court may make a Special Administration Order in certain circumstances (for example, where AWL is in breach of its principal duties under the WIA or of the provisions of a final or confirmed provisional enforcement order (and in either case the breach is serious enough to make it inappropriate for AWL to continue to hold its Instrument of Appointment) or is unable, or is unlikely to be able, to pay its debts).

On 22 March 2023, the Committee published a report on their inquiry into the work of Ofwat which, amongst other things, asked Ofwat to be more proactive in using its special administration powers to change the management of continued poor performers in the water sector.

Ofwat and the Government responded to this report in May 2023 (see Ofwat response at https://committees.parliament.uk/publications/40087/documents/195590/default/ (however this information does not form part of this Prospectus)) and June 2023 (see Government response at https://committees.parliament.uk/publications/40187/documents/196307/default/ (however this information does not form part of this Prospectus)), respectively. On the Committee's recommendation that Ofwat should consider being more proactive in the use of its special administration powers, Ofwat acknowledged that where appropriate it would do so, in particular where this would best enable it to fulfil its various duties. Ofwat also acknowledged that it has a role in working with companies to support them in pursuing alternatives to special administration where this is in the long-term interests of customers. This does not, however, mean maintaining an inefficient company that would otherwise fail. Meanwhile, the Government reiterated that special administration is the ultimate enforcement tool and (i) is only available where the statutory insolvency grounds or enforcement grounds are made out, and (ii) should only be utilised where appropriate and where other means are inadequate. The Government also acknowledged that Ofwat is expected to allow funding for water companies to fulfil their statutory duties.

Following the responses by the Government and Ofwat, the Committee took further evidence from Ofwat on 4 July 2023. Regarding whether it would be more proactive in the use of its special administration powers, Ofwat stated the following (as per https://committees.parliament.uk/publications/40087/documents/195590/default/, which does not form part of this Prospectus):

"The Special Administration regime is and will continue to be an important part of Ofwat's regulatory toolkit, both in its existence as an option and its use. Where appropriate Ofwat would proactively consider using this tool, where it best enables us to fulfil our various duties.

We also have a role in working with companies to support them in pursuing alternatives to special administration where this is in the long-term interests of customers. We continue to be clear, however, that this should not mean maintaining an inefficient company that would otherwise fail."

The duties and functions of a Special Administrator differ in certain important respects to those of an administrator of a company which is not a Regulated Company under English insolvency legislation. During the period of a Special Administration Order, AWL would have to be managed by the Special Administrator for the purposes of the order and in a manner which protects the interests of shareholders and creditors. While the order is in force, no steps may be taken to enforce any security over AWL's property except with the consent of the Special Administrator or the leave of the Court. A Special Administrator would be able to dispose of assets free of any floating charge existing in relation to them. On such a disposal, however, the proceeds would be treated as if subject to a floating charge which has the same priority as that afforded to the original security. A Special Administrator may not dispose of property which is the subject of a fixed charge without the agreement of the relevant creditor except under an order of the Court. On such a disposal, the Special Administrator must account for the proceeds to the chargee, although the disposal proceeds to which the chargee is entitled are determined by reference to "the best price which is reasonably

available on a sale which is consistent with the purposes of the Special Administration Order" as opposed to an amount not less than "open market value", which would apply in a conventional administration for a company which is not a Regulated Company under English insolvency legislation.

Where the grounds for a special administration order are that a company is or is likely to be unable to pay its debts, the purpose of the order is to rescue the company as a going concern. To achieve this purpose, the special administrator may propose: (a) a company voluntary arrangement under Part 1 of the Insolvency Act 1986, or (b) a compromise or arrangement in accordance with Part 26 or Part 26A of the Companies Act 2006.

If the special administrator thinks that it is not likely to be possible to rescue the company as a going concern, or that transfer is likely to secure more effective performance of the Regulated Company's functions, or the order has been made on any other grounds, the purposes of the order consist of:

(a) transferring to one or more different Regulated Companies as much of the business of the water undertaker in special administration as is necessary in order to ensure that the functions which have been vested in such a Regulated Company by virtue of its Instrument of Appointment are properly carried out; and

(b) pending the transfer, the carrying out of those functions.

Because of the statutory purposes of a Special Administration Order, it is not open to a Special Administrator to accept an offer to purchase the assets on a break-up basis in circumstances where the purchaser would be unable properly to carry out the relevant functions of a Regulated Company. The transfer is effected by a transfer scheme which the Special Administrator puts in place, subject to the approval of the Secretary of State or Ofwat on behalf of the existing Regulated Company. The transfer scheme may provide for the transfer of the property, rights and liabilities of the existing Regulated Company to the new Regulated Company(ies) and may also provide for the transfer of the existing Regulated Company's licence (with modifications as set out in the transfer scheme) to the new Regulated Company(ies).

The Flood and Water Management Act 2010 ("**FWM Act**") amends the special administration regime in the WIA to bring it in line with modern insolvency practice in unregulated industries. The FWM Act also streamlines the procedures for transferring a failing company to new owners. The previous regime only enabled the Special Administrator to transfer the appointment and assets of a failing water company onto one or more new owners. The changes enable the Special Administrator to pursue the goal of rescuing the Regulated Company as a going concern if this is reasonably practicable. Some of these provisions are in force as of 12 January 2024 and 15 March 2024 by virtue of the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 and The Flood and Water Management Act 2010 (Commencement No. 11) Order 2024 (see Chapter 6 "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Special Administration Orders*").

There can be no assurance that any transfer scheme in the context of a Special Administration regime could be achieved on terms that would enable creditors to recover amounts due to them in full. See Chapter 6, "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Special Administration Orders*" for more detail.

3.3 ***Enforceability of Payment Priorities***

The validity and enforceability of certain provisions in contractual priorities of payments which purport to alter the priority in which a particular secured creditor is paid as a result of the occurrence of one or more specified trigger events, including the insolvency of such creditor ("**flip clauses**"), have been challenged in the English and U.S. courts on the basis that the operation of a flip clause as a result of such creditor's insolvency breaches principles of English and U.S. insolvency law, which have been referred to as "anti-deprivation" principles.

In the English courts, the Supreme Court in *Belmont Park Investments PTY Ltd v BNY Corporate Trustee Services Ltd* [2011] UKSC 38 dismissed this argument and upheld the validity of a flip

clause contained in an English-law governed security document. In the US, however, early decisions in the Bankruptcy Court did not give effect to such priority shifting features. *See, e.g., Lehman Bros. Special Fin. Inc. v. Ballyrock ABS CDO 2007–1 Ltd. (In re Lehman Bros. Holdings Inc.)* ("**Ballyrock**"), 452 B.R. 31, 39 (Bankr. S.D.N.Y. 2011) (JMP) (the "analysis from the [court's prior] decision would render ineffective the changes in the [w]aterfall that would result" from LBSF's default on the swap). In *Ballyrock*, the US Bankruptcy Court also found that the safe harbor contained in section 560 of the Bankruptcy Code did not protect the distribution of proceeds to the Ballyrock noteholders because "a [contractually] mandated elimination of a substantive right to receive funds that existed prior to the bankruptcy of LBHI should not be entitled to any protection under safe harbor provisions that, by their express terms, are limited exclusively to preserving the right to liquidate, terminate and accelerate a qualifying financial contract." *Id.* at 40. The United States Court of Appeals for the Second Circuit, however, in 2020 expanded the reach of the safe harbor provisions to give effect to a flip clause incorporated into a protected swap agreement. *See In re Lehman Bros. Holdings Inc.*, 970 F.3d 91 (2d Cir. 2020). The Second Circuit held that: (a) priority of payment provisions that were set forth in indenture agreement and specifically incorporated by reference into prepetition credit default swap agreements were themselves "swap agreements"; (b) term "liquidation", as it is used in statutory "safe harbor" to the general prohibition against enforcement of *ipso facto* clauses, must encompass the disbursement of proceeds from the liquidated collateral; and (c) the mere fact that trustees who terminated the prepetition credit default swap agreements were not themselves "swap participants" did not mean that these transactions were not protected by the statutory "safe harbor". While the Second Circuit is an influential court, its decisions are only binding on the other courts within the Second Circuit (six districts within the states of Connecticut, New York, and Vermont). That said, there is no controlling case law outside the Second Circuit on this issue at this time, so it remains possible that other circuits could take an alternative view in declining to enforce a flip clause against a debtor in bankruptcy. The US Supreme Court has not yet considered the issue.

If the Payment Priorities were the subject of litigation in any jurisdiction outside England and Wales (for example, where a Hedging Counterparty is the subject of bankruptcy or insolvency proceedings outside of England and Wales) and such litigation resulted in a conflicting judgment in respect of the binding nature of the Payment Priorities, it is possible that termination payments due to that Hedging Counterparty would not be subordinated as envisaged by the Payment Priorities and as a result, the Obligors' ability to repay the Bondholders in full might be adversely affected. However, it is unlikely that the English courts would make any order pursuant to the Cross Border Insolvency Regulations 2006 or otherwise which has the effect of restraining parties from making or receiving payments in accordance with the order of priority agreed between them where English assets are to be distributed pursuant to an English law security trust by an English incorporated security trustee - as is the case in respect of the Programme - though the possibility cannot be discounted entirely. See Chapter 7 "*Overview of the Financing Agreements – Cash Management – Debt Service Payment Account*" for more detail.

4. RISKS RELATING TO THE PROGRAMME ISSUER – ENVIRONMENTAL AND INSURANCE CONSIDERATIONS

Compliance with current environmental laws and regulations, future changes to such laws, the occurrence of events which are not covered by AWL's insurance cover and the volatility of the wholesale energy market and non-wholesale costs could each affect AWL's operations and financial position. If AWL's operations or financial position were materially adversely affected by these or other factors, AWL may not be able to meet its obligations under the Bonds (including the payment of principal and interest to investors).

4.1 *Costs of Compliance with Environmental Laws and Regulations*

AWL's water supply operations are subject to a number of laws and regulations relating to the protection of the environment and human health governed primarily by the DWI and the EA as described in Chapter 6, "*Regulation of the Water Industry in England and Wales*" and also the Health & Safety Executive with regard to risks to people in the workplace. These laws and regulations establish, among other things, standards for drinking water, abstraction, and procedures governing operational development.

It is possible that AWL and other Regulated Companies will incur costs in the future in complying with requirements imposed under existing or future environmental laws and regulations. Although the costs arising from such changes in legal requirements may, in certain cases, be eligible for the purposes of the Interim Determination provisions or fall to be considered as part of a Periodic Review, there can be no certainty as to how and whether future environmental laws and regulations will impact the business and financial condition of AWL and/or the interests of the Bondholders. It is possible that Ofwat may determine that the cost of fulfilling certain obligations is likely to be less than the cost actually incurred by AWL in fulfilling such obligations. In such circumstances, the funding allowed by Ofwat may not totally cover the actual costs and AWL would bear this additional element. In practice, the funding allowed by Ofwat is set for a package of obligations and some will cost more and some less. This risk is increased by virtue of the unprecedented levels of scrutiny being faced by the UK water industry at present from a wide range of stakeholders, including governments and regulators, NGOs, local communities and other stakeholders.

There is also heightened pressure on regulators to take enforcement action against water companies, which if taken and successful, could have financial consequences for AWL (see also the discussion of the Water Act 2025 below, which includes, amongst other things, giving Ofwat new powers and bringing in automatic and severe fines). Stakeholder groups are increasingly calling for greater regulatory enforcement action to be taken, and the Office for Environmental Protection and the UK Government have scrutinised Ofwat and environment and water regulators in England for their enforcement approaches to date.

Changes to the VMPs came into force on 1 December 2023 by statutory instruments amending the EP Regulations 2016 and the Environmental Civil Sanctions (England) Order 2010 (Order). Following a public consultation, the EA published its updated enforcement and sanctions policy which applies to offences that occur from 11 December 2023 onwards. The EA can now impose potentially significant financial penalties on companies that pollute the environment without bringing criminal proceedings. The previous £250,000 cap on VMPs under the Environmental Civil Sanctions (England) Order 2010 has been removed, and the range of offences for which VMPs can be imposed has been expanded.

This regulatory environment could result in an increase in enforcement activity and third party claims as well as substantial fines, compensation payments as well as requirements to invest in infrastructure and increased operating costs.

Although the costs of complying with changes in legal requirements are eligible for the purposes of the Interim Determination provisions, there can be no certainty as to how and whether future laws and regulation will impact the business of AWL and/or the interests of the Bondholders. It is possible that a proportion of the costs incurred by AWL in complying with such laws and regulations will not be covered by funding allowed by the regulator and will, therefore, have to be borne directly by AWL.

4.2 ***Costs Arising from Public Concern and Other Environmental Requirements***

In addition to environmental costs imposed upon AWL by law or regulation, AWL may be subject to additional costs resulting from public concern regarding environmental matters. See Chapter 6 "*Regulation of the Water Industry in England and Wales – Environmental Regulation*" for more detail.

The Water Act 2025 was passed on 24 February 2025 (for more information on the content of the Water Act, see section 1.1 above). It introduces changes to the regulatory regime (and its enforcement) to which AWL is subject, including changes to (a) require Ofwat to make rules (i) prohibiting the payment of bonuses to individuals in senior roles within WASCs where the company does not meet specific standards, (ii) requiring those in senior roles to meet, on a continuous basis, certain fitness and property standards and (iii) requiring a company to have arrangements in place for involving consumers in decisions likely to have a material impact on consumer matters; (b) require WASCs to publish information on pollution incidents; (c) have implications for environmental-related offences (in terms e.g. of standard of proof, sentencing powers); and allow the Secretary of State to modify licences to recover shortfalls in funding for a special administration from consumers. Additionally, the Water Act 2025 provides for the implementation of certain measures through secondary legislation which means that the full detail

of the proposed rules may not yet be known for some time. The Water Act 2025 has potentially broad implications for water undertakers such as AWL and in particular for WASCs.

Furthermore, measures to tackle loss of biodiversity and policies intended to protect local habitats may, amongst other impacts, limit access to water resources in areas deemed to be ecologically sensitive, which in turn could affect AWL's business. The Environment Act 2021 created new commitments and strengthened previous legislation which has implications on how the impacts on biodiversity of operations are managed. For example, AWL must now maintain and enhance biodiversity so far as consistent with the proper exercise of its functions whilst promoting the resilience of ecosystems. This effectively means AWL must prevent loss, damage and mitigate for any loss through the biodiversity duty this places on AWL.

Additionally, the Environment Act amended the Town and County Planning Act 1990 to enshrine statutory biodiversity net gain, requiring any qualifying development requiring planning permission to ensure a statutory 10 per cent. minimum biodiversity net gain, and to monitor and manage this for a minimum of 30 years.

Ofwat also introduced a biodiversity performance commitment within its PR24 process for the AMP8 business plans, requiring water companies to uplift biodiversity from a standardised survey baseline across its estate. Failure to meet the requirements of any laws and regulations on biodiversity protection and enhancement, or damage to the environment caused by AWL's activities could result in reputational risk, legal proceedings or other measures being taken against AWL.

In addition to the UK legal obligation to become a net zero carbon emission country by 2050, the English water sector has signed up to achieving net zero operational carbon emissions by 2030. Ofwat has signalled its new strategy includes strengthening the sector's approach to climate change mitigation (net zero) and adaptation. This regulatory landscape is likely to bring increased costs and increased opportunities.

AWL may incur increased costs in the future due to increased electricity prices to account for carbon trading schemes and carbon prices applicable to electricity generators.

4.3 ***Erratic Weather and Climate Change***

Erratic weather and climate change could result in AWL having to incur costs in relation to (i) emergency supply following periods of drought; (ii) protection of sites and infrastructure vulnerable to flooding in particularly wet periods or (iii) damage caused by freeze-thaw events.

If there are supply shortfalls due to prolonged periods of drought, additional costs may be incurred, for example, to provide emergency reinforcement to supplies in areas of shortage. If the company was forced to impose temporary restrictions on customers' use of water due to drought it would in the short term adversely affect revenues from metered customers and may in extreme circumstances lead to compensation having to be paid to customers who suffer interruptions in supply under Condition Q of the Instrument of Appointment. See Chapter 6, "*Regulation of the Water Industry in England and Wales – Customers' Interests – Guaranteed Standards Scheme*".

Climate change will have a range of impacts across AWL's operations with particular vulnerabilities related to water resource impacts, rising sea levels, more intense storms and flooding. This may be exacerbated by growing population and ongoing urbanisation. In the long term, climate change could also impact on water resources resilience and the integrity of AWL's assets.

In the event of water shortages or floods affecting key treatment works, additional costs may be incurred by AWL in order to provide emergency reinforcement to supplies in areas of shortage which may adversely affect its business, results of operations, profitability or financial condition. In addition, restrictions on the use or supply of water (including temporary use bans and drought orders) may adversely affect AWL's turnover and may, in extreme circumstances require an emergency drought order (such circumstances have never been experienced by AWL). Any of this could lead to significant compensation becoming due to customers because of interruptions to supply, which could adversely affect AWL's business, operational performance, profitability or

financial condition, and, in turn, impact the Programme Issuer's ability to meet its obligations under the Bonds.

AWL operates in areas of serious water stress. Drought can pose risks of water shortages, as AWL relies on chalk groundwater to supply its customers and the quantity of water in the environment can reduce. AWL's response to this is managed by following its Drought Management Plan, which sets out the actions that AWL commits to take to safeguard its supplies. Abstraction reductions for sustainability purposes can reduce its headroom (spare water), which can make the impacts of unexpected events such as a pollution event or severe drought more pronounced.

There is a risk that AWL may not meet its performance commitments which could result in the imposition of financial penalties which could have an adverse effect on AWL's business. Further, costs may be incurred by AWL in implementing replacement water resources for which AWL may not be compensated, which could adversely affect AWL's business, operational performance, profitability or financial condition, and, in turn, impact the Programme Issuer's ability to meet its obligations under the Bonds.

AWL's Climate Change Adaptation Report 2024 sets out the risks posed to it by climate change and how it is mitigating them. It also includes risks from transitioning to a climate resilient, net-zero economy.

4.4 ***Service interruptions due to key site or installation disruption***

Unexpected failure of or disruption (including criminal acts, environmental conditions including flooding, obligations to adjacent water companies, water quality/pollution incident or a major health and safety incident) at a key site, in particular the Iver Water Treatment Works site, or installation operated by AWL or third parties (including reservoirs or treatment works) could cause a more significant interruption to the supply of services (in terms of duration or number of customers affected), materially affecting the way that AWL operates, prejudicing its reputation and resulting in additional costs including liability to customers or loss of revenue, each of which could have an adverse effect on AWL's business, operational performance, profitability or financial condition which may, in turn, impact the Programme Issuer's ability to meet its obligations under the Bonds.

4.5 ***Contamination of water supplies***

Water supplies may be subject to contamination, including contamination from the presence of naturally occurring compounds and pollution from man-made substances, criminal acts and failures of third parties. In the event that AWL's water supply is contaminated and AWL is not aware of the contamination, if the analysis of the contamination takes several days to complete or AWL is unable to substitute water supply from an uncontaminated water source, or to treat the contaminated water source in a cost-effective manner, there may be an adverse effect on its business, operational performance, profitability or financial condition because of the resulting prejudice to reputation and required capital and operational expenditures. AWL could also be fined for breaches of statutory requirements or regulations, or held liable for human exposure to hazardous substances in its water supplies or other environmental damage, which may also adversely affect AWL's business, operational performance, profitability or financial condition.

Such operational costs may be partly recoverable through the mechanisms referred to in Chapter 6 "*Regulation of the Water Industry in England and Wales*" or future Periodic Reviews but, in the event that such recovery is not possible, such costs could be significant and could have an adverse effect on AWL's business, operational performance, profitability or financial condition. AWL also maintains insurance policies in relation to legal liabilities likely to be associated with these risks. However, not all the costs of any such liabilities may be covered by insurance and insurance coverage may not continue to be available in the future. In addition, contamination of supplies could exacerbate water shortages, giving rise to the issues described above. All of this could indirectly impact the Programme Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

4.6 ***Catastrophe Risk***

Catastrophic events could have a material adverse impact on the ability of AWL to meet its financing and regulatory obligations.

Catastrophic events such as dam bursts, fires, earthquakes, floods, droughts, terrorist attacks, diseases, epidemics, pandemics (including, COVID-19), plant failure or other similar events could result in personal injury, loss of life, environmental damage, severe damage or destruction of AWL's operational assets. Any resulting damage or suspension of operations of AWL, to the extent not covered by insurance, could have a material adverse impact on the ability of AWL to meet its financing and regulatory obligations. See Chapter 5 "Description of the Financing Group – Insurance*" for more detail.*

Although the CTA requires AWL to maintain insurance against all risks which are required to be insured against under any applicable law or regulation and any additional risks which a prudent owner would insure against, provided appropriate insurance is available on commercially reasonable terms, the proceeds from such insurance may not be adequate to cover reduced revenues, increased expenses or other losses or liabilities arising from the occurrence of any of the events described above. Moreover, there can be no assurance that such insurance coverage will be available for some or all of these risks in the future at commercially reasonable rates or at all (see Chapter 5 "*Description of the Financing Group – Insurance*"). Any such catastrophic event could therefore have materially adverse consequences for AWL's business and subsequently impact on the Programme Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

5. RISKS RELATING TO THE PROGRAMME ISSUER – CYBER SECURITY

5.1 ***Loss of Data or Interruptions to Key Business Systems***

Cyber risk remains a high priority for the business, as the volume and complexity of cyber security threats in the utility sector continue to evolve. The publicly acknowledged nation state involvement in targeting of this sector, combined with the changing geopolitical landscape, including ongoing international conflicts, further heightens these risks. AWL recognises that threat actors pay particular attention to critical infrastructure providers like AWL.

In addition to direct security threats, AWL faces regulatory and operational risks. Loss of, or misuse of, data could result in breaches of legislation, including data protection requirements, which could have an adverse impact on AWL's operational assets, its performance, and customer service metrics. Such incidents could potentially lead to significant penalties and/ or reputational damage.

To address these challenges and protect AWL, AWL maintains operational resilience through industry-standard practices that protect both its assets and customer data, whilst ensuring the continued delivery of essential services. AWL maintains active oversight of emerging threats and adapts its approach accordingly to ensure effective protection of its critical infrastructure.

6. FINANCING CONSIDERATIONS

6.1 ***High Leverage***

As at the date of this Prospectus, the Financing Group's indebtedness is substantial in relation to its RCV and as at September 2024, the Senior RAR was 76.7 per cent. and the Class A RAR was 67.9 per cent. Senior RAR and Class A RAR are alternative performance measure tied to leverage and have been calculated as set out in the definition for Senior RAR and Class A RAR, respectively. AWL is entitled under the Finance Documents to increase its leverage to 90 per cent. However, under the Finance Documents a Senior RAR of greater than 85 per cent. for AWL will result in a restriction on certain payments, such as dividends.

The ability of AWL to improve its operating performance and financial results will depend upon economic, financial, regulatory and other factors, including fluctuations in interest rates and general economic conditions in the United Kingdom. The level of debt of AWL has several important effects on its future operations, including the following: (a) AWL will need significant

cash to service debt; (b) AWL may be restricted in the future from obtaining additional financing, whether for capital expenditure, working capital or other purposes; and (c) AWL is required to comply with certain financial covenants and other restrictions contained in the Bonds and its other indebtedness, further restricting its financial and operational flexibility.

Accordingly, there can be no assurance of AWL's ability to meet its financing requirements and no assurance that AWL's high degree of leverage will not have a material adverse effect on its ability to pay amounts under the Programme Issuer/AWL Loan Agreements, which would enable the Programme Issuer to pay amounts due and owing in respect of the Bonds. Incurrence of additional indebtedness by AWL, the Programme Issuer or the Existing Issuer, which will be permitted under the Finance Documents, may materially affect the ability of AWL, the Programme Issuer or the other Obligors to pay amounts due and owing in respect of the Bonds. Further, Ofwat, in its PR24 FD for AWL, assumes a notional capital structure with notional gearing of 55 per cent.

6.2 ***Hedging Risks and Termination of a Hedging Agreement***

The Financing Group is required to manage its exposure to interest rate and currency risks and may manage its inflation exposure and to that effect, each of the Programme Issuer, the Existing Issuer and AWL are (and in the case of inflation risks, may be) required to enter into Hedging Transactions in accordance with the Hedging Policy. Any Hedging Agreement and the related Hedging Transactions may be terminated early, including as a result of a default by or insolvency of a Hedging Counterparty. The Financing Group is required to maintain its total outstanding liability profile so that at all times at least 85 per cent. of its total outstanding liability profile is not exposed to interest rate volatility for the current Periodic Review Period and at least 75 per cent. of its total outstanding liability profile is not so exposed in the next Periodic Review Period.

In the event that any Hedging Agreement and the related Hedging Transactions entered into by the Programme Issuer, the Existing Issuer or AWL are terminated early and the Programme Issuer, the Existing Issuer or AWL, as the case may be, is unable to find a replacement Hedging Counterparty, the Financing Group as a whole and/or the Programme Issuer in particular may be left exposed to interest rates, currency or inflation risks and, as a result, the funds available to the Programme Issuer may be insufficient to meet its obligations under the Bonds.

At the date of this Prospectus, only AWL is party to the Hedging Agreements (see Chapter 7 "*Overview of the Financing Agreements – Hedging – Existing Hedging Agreements*" for more detail). AWL's hedging activity is used to mitigate risk, it is not used for speculative purposes. Adverse negative market movements may result in losses on hedged positions that could impact AWL's financial position and therefore its ability to repay debt.

Please see Chapter 7 "*Overview of the Financing Agreements – Hedging – Termination of the Hedging Agreements*" for more detail.

6.3 ***Future Financing***

There can be no assurance that the Programme Issuer will, in the future, be able to raise sufficient funds, or funds at a suitable interest rate, or on suitable terms, at the requisite time such that all amounts then due and payable on the Bonds or any other maturing debt will be capable of being so paid when due.

The Financing Group will need to raise further finance from time to time in order, among other things, to:

(a) finance the AWL Business Plan and finance future capital enhancements to AWL's asset base;

(b) on each date on which principal is required to be repaid and on the maturity date of the relevant Tranches of the relevant Sub-Classes of Bonds, refinance the Bonds; and

(c) refinance the Existing Issuer Bonds and any other debt the terms of which have become inefficient or which have a scheduled partial or final maturity prior to the final maturity of the Bonds.

While the CTA and the STID contemplate the terms and conditions on, and circumstances under which, such additional indebtedness can be raised, there can be no assurance that the Financing Group will be able to raise sufficient funds, or funds at a suitable interest rate, or on suitable terms, at the requisite time such that the purposes for which such financing is being raised are fulfilled, and in particular such that all amounts then due and payable on the Bonds or any other maturing indebtedness will be capable of being so paid when due.

Where a Trigger Event occurs under the Common Terms Agreement (see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Trigger Events*"), AWL and the Programme Issuer are not permitted to make Restricted Payments or incur certain types of indebtedness, among other consequences.

6.4 *Cost of Debt*

The cost of debt will be assessed at future price reviews and there is no guarantee that allowances will be made for the costs of then existing fixed-rate debt.

In addition, the WSRA will assess the cost of debt at future price reviews on the basis of a hypothetical efficiently-financed company. According to the WSRA, such a company would retain the flexibility to respond to changing market conditions, and hold a balanced portfolio of debt. There is no guarantee, therefore, that allowance would be made for the costs of then existing fixed-rate debt, if current forward-looking rates at the time were lower and if the WSRA took the view that such debt had not been prudently incurred.

7. FINANCING STRUCTURE CONSIDERATIONS

7.1 *Programme Issuer is a special purpose vehicle*

The Programme Issuer was established as a special purpose vehicle and is a special purpose financing entity with no business operations other than raising external funding for AWL through the issuance of the Bonds, borrowing under the DSR Liquidity Facilities and entering into the Hedging Agreements. Other than the proceeds of the issuance of Bonds, the Programme Issuer's principal source of funds for making payments due on the Bonds is pursuant to the Programme Issuer/AWL Loan Agreements and funds available to it pursuant to any DSR Liquidity Facilities. The Programme Issuer has issued a guarantee in respect of the obligations of each of AWL and the Existing Issuer. The Existing Issuer is also a special purpose financing entity with no business operations other than having raised external funds for AWL through the issuance of the Existing Issuer Bonds, and whose principal source of funds available to service debt will be pursuant to the Existing Issuer/AWL Loan Agreements and the DSR Liquidity Facilities.

Therefore, the Programme Issuer is subject to all the risks relating to revenues and expenses to which AWL is subject. Such risks could limit funds available to AWL to enable AWL to satisfy in full and on a timely basis its obligations under the Programme Issuer/AWL Loan Agreements, the Existing Issuer/AWL Loan Agreements and its guarantee under the Security Agreement (see section "*– AWL's Revenue and Cost Considerations*" above) which, in turn, may have an adverse effect on the ability of the Programme Issuer to make payments due (including payments of interest and principal) under the Bonds.

7.2 *Source of payments to Bondholders*

None of the Bonds of any Class are obligations or responsibilities of, nor are they guaranteed by, any of the Other Parties (other than the Guarantors). The guarantee provided by AWHL may be of limited value because, at the date of this Prospectus, it does not own any assets other than its direct shareholding in AWL, and it is not expected to own any other significant assets in the future. The guarantee by the Existing Issuer may be of limited value because it does not own, nor will it own, any significant assets other than the receivables due to it from AWL and, furthermore, the Existing Issuer has Financial Indebtedness outstanding under the Existing Issuer Bonds (which constitutes Class A Debt of the Financing Group).

7.3 *The DSR Liquidity Facilities*

AWL has agreed to maintain that (in aggregate) (i) committed DSR Liquidity Facilities in respect of Class A Debt and Class B Debt; and (ii) all amounts standing to the credit of the relevant Debt Service Reserve Accounts (including the value of Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Accounts) are at least equal to the Class A Required Balance or the Class B Required Balance, as the case may be. Investors should note that if the Senior RAR as calculated at the most recently occurring Calculation Date for each Test Period is equal to or less than 67.5 per cent., the Class A Required Balance will be zero.

If the Class A Required Balance is greater than zero, the DSR Liquidity Facilities and any amounts credited to the Debt Service Reserve Accounts are intended to cover certain shortfalls in the ability of AWL to service payments of: (a) scheduled interest or certain other scheduled or periodic payments in respect of Senior Debt (including payments due to be made by AWL under the Programme Issuer/AWL Loan Agreements and the Existing Issuer/AWL Loan Agreement to enable the Programme Issuer or the Existing Issuer to make interest payments due on the Bonds or, as the case may be, the Existing Issuer Bonds); or (b) certain other payments ranking in priority to or *pari passu* with the Bonds (excluding any principal repayments or accretion payments or early termination payments under Hedging Agreements). However, on any such Interest Payment Date, there are no assurances that any such shortfalls will be met in whole or in part by amounts standing to the credit of the Debt Service Reserve Accounts or by the DSR Liquidity Facilities.

For as long as Senior Debt is outstanding, the commitment of the DSR Liquidity Facility Providers will need to be renewed on an annual basis. If the initial DSR Liquidity Facility is not renewed by a DSR Liquidity Facility Provider on the day falling prior to the anniversary of the Initial Issue Date or the previous renewal date (as applicable) then the commitment of that DSR Liquidity Facility Provider will terminate and any Standby Drawing made in respect of such DSR Liquidity Facility Provider will fall to be repaid on the date falling five years from the date on which the facility renewal was due to occur. The date of such commitment termination and repayment of Standby Drawings may fall prior to the Maturity Date of any Bonds then outstanding. There can be no assurance that the Financing Group will be able to secure a replacement of any DSR Liquidity Facility Provider's commitment at a suitable interest rate, or on suitable terms, at the requisite time.

The termination of a DSR Liquidity Facility may, in the absence of a suitable replacement, adversely affect the Programme Issuer's ability to make timely payments in respect of the Bonds.

8. BOND CONSIDERATIONS

8.1 *Subordination of the Class B Bonds issued by the Programme Issuer*

Payments under the Class A Bonds issued by the Programme Issuer rank in priority to payments of principal and interest due on the Class B Bonds.

If, on any Interest Payment Date or any date upon which such Class B Bond is to be redeemed (in whole or in part) prior to the taking of Enforcement Action, there are insufficient funds available to the Programme Issuer to pay accrued interest or principal on the Class B Bonds (after taking into account, in respect of interest, any amounts available to be drawn under any DSR Liquidity Facility or from the Class B Debt Service Reserve Account of the Programme Issuer), the Programme Issuer's liability to pay such accrued interest or principal will be treated as not having fallen due and will be deferred until the earliest of: (i) the next following Interest Payment Date on which the Programme Issuer has, in accordance with the Payment Priorities, sufficient funds available to pay such deferred amounts (including any interest accrued thereon); (ii) the date on which the Class A Debt has been paid in full; and (iii) an Acceleration of Liabilities (other than a Permitted Hedging Termination or a Permitted Lease Termination) and in the case of a Permitted Share Pledge Acceleration only to the extent that there would be sufficient funds available in accordance with the Payment Priorities to pay such deferred interest or principal (including any interest accrued thereon). Interest will accrue on such deferred interest or principal at the rate otherwise payable on unpaid principal of such Class B Bonds.

Notwithstanding the subordination of, and credit enhancement provided by, the Class B Bonds to the Class A Bonds, the Programme Issuer may, subject to certain conditions, optionally redeem some or all of the Bonds subordinated and providing credit enhancement to other Classes of Bonds.

It should be noted that all of the Payment Dates for the various different types of Class A Debt and Class B Debt will not necessarily coincide and that, until a Standstill Period has commenced, there is no obligation to ensure that a payment made to a holder of a Class B Bond (or any other Class B Creditor pursuant to any other Class B Debt) will not lead to a deficiency of funds to make payments in respect of Class A Debt that falls due on a later date.

8.2 ***Insolvency proceedings and subordination provisions***

Following a number of actions (one of which remains stayed) in the U.S., there is uncertainty as to the validity and/or enforceability in the U.S. of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor (so called "flip clauses"). Such provisions are similar in effect to certain of the terms which are included in Schedule 10 (*Cash Management*) to the CTA.

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

8.3 ***Rights available to Bondholders***

The Bond Trust Deed contains provisions detailing the Bond Trustee's obligations to consider the interests of the Bondholders as regards all powers, trusts, authorities, duties and discretions of the Bond Trustee (except where expressly provided otherwise). Where, in the sole opinion of the Bond Trustee, there is a conflict of interest between the interests of the holders of the Class A Bonds and the interests of the holders of the Class B Bonds, the Bond Trustee shall agree to give priority to the interests of the holders of the Class A Bonds whose interests shall prevail. Where, in the sole opinion of the Bond Trustee there is a conflict of interest between the holders of two or more Sub-Classes of Bonds of the same Class, the Bond Trustee shall agree to consider the interests of the holders of the Sub-Class of Bonds with the shortest dated maturity and, in either case, will not have regard to the consequences of such exercise for the holders of other Sub-Classes of Bonds or for individual Bondholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof. The STID provides that the Security Trustee (except in relation to certain Reserved Matters and Entrenched Rights as set out in the STID) will act on instructions of the relevant DIG Representative(s). When so doing, the Security Trustee will not be required to have regard to the interests of any Finance Party (including the Bond Trustee as trustee for the Bondholders) in relation to the exercise of such rights and, consequently, has no liability to the Bondholders as a consequence of so acting.

8.4 ***Intercreditor Rights of Qualifying Bondholders***

The Bonds will be subject to the provisions of the STID. The STID contains provisions enabling the Security Trustee to implement various modifications, consents and waivers in relation to the Common Documents, subject to Entrenched Rights, Enhanced Rights Matters and Reserved Matters (see Chapter 7 "*Overview of the Financing Agreements – Security Trust and Intercreditor Deed – Entrenched Rights and Reserved Matters*"). The Security Trustee is authorised to act on the instructions of the majority of Qualifying Secured Creditors that vote on any Voting Matter (acting through their Secured Creditor Representatives).

Subject to Entrenched Rights, and provided that the relevant Quorum Requirement has been met, the Majority Creditors may make a modification to, or grant any consent or waiver in respect of, the Common Documents without the need to seek a confirmation from the Rating Agencies as to the then current ratings of the Bonds.

As far as the voting rights of the Qualifying Bondholders with respect to such matters are concerned, and subject always to the Entrenched Rights, each Qualifying Bondholder will be entitled to vote as part of the Class A DIG or, as the case may be, the Class B DIG, on a pound for pound basis within a certain specified decision period (see Chapter 7 "*Overview of the Financing Agreements – Security Trust and Intercreditor Deed – Bondholder Voting*" below).

Accordingly, in respect of modifications, waivers or consents in respect of provisions of the Common Documents (other than those in respect of Basic Terms Modifications (as defined in Condition 15 (*Meetings of Bondholders, Modification, Waiver and Substitution*))), a single vote by reference to the entire Outstanding Principal Amount of the Qualifying Secured Debt of each Authorised Credit Facility in respect of their Outstanding Principal Amount of the Qualifying Secured Creditors will be counted for or, as the case may be, against the applicable STID Proposal or Direction Notice. Votes cast in favour and votes cast against will then be aggregated by the Security Trustee with votes cast for and against by the other Qualifying Secured Creditors. There is therefore a risk that the votes of the Bondholders of the relevant Class may not constitute a majority in respect of modifications, waivers or consents. Such risk is increased during a Default Situation when in respect of any STID Proposal or Direction Notice, the Security Trustee will act in accordance with a valid Emergency Instruction Notice (other than in respect of Entrenched Rights) in an amount equal to the aggregate Principal Amount Outstanding of each Bond that voted on the STID Direct Voting Matter within the Decision Period. Votes cast in favour and votes cast against will then be aggregated by the Security Trustee with the votes cast for and against by the other Qualifying Secured Creditors through their DIG Representatives. It is possible that the interests of the Qualifying Secured Creditors in respect of certain other Qualifying Debt will not be aligned with the interests of a Class or Sub-Class of Bondholders, and it is possible that, in relation to votes on certain matters, owing to the relative size of Senior Debt that is capable of being voted by Authorised Credit Providers other than the Bondholders, the Security Trustee is given an instruction that is not in the interests of the Bondholders.

Under the terms of the STID and the CTA, the parties thereto have agreed that any further issues of debt securities by the Programme Issuer must be made subject to the intercreditor arrangements contained in the CTA and the STID (to which the Bonds are also subject).

8.5 ***Limited Liquidity of the Bonds; Absence of Secondary Market for the Bonds***

Notwithstanding the fact that the Bonds are admitted to trading on the London Stock Exchange, there is currently not a substantial secondary market for the Bonds. There can be no assurance that a secondary market will develop, or, if a secondary market does develop for any of the Bonds, that it will provide the holder of the Bonds with liquidity or that any such liquidity will continue for the life of the Bonds. Consequently, any purchaser of the Bonds must be prepared to hold such Bonds for an indefinite period of time or until final redemption or maturity of the Bonds.

The liquidity and market value at any time of the Bonds are affected by, among other things, the market view of the credit risk of such Bonds and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events, the performance and financial condition of AWL, developments and trends in the water industry generally and events in the AWL Regions.

8.6 ***Indexed Bonds***

The Programme Issuer may issue Indexed Bonds, being Bonds with principal or interest determined by reference to a specified inflation index, formula or other factor. As many of the factors can be volatile, investors should be aware that they may not receive any interest and that they may lose all or a substantial portion of their principal under the Indexed Bonds.

The Programme Issuer may issue Bonds with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). Potential investors should be aware that:

(i) the market price of such Bonds may be volatile;

(ii) they may receive no interest;

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

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Bonds or even zero;

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

(vi) if a Relevant Factor is applied to Bonds in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable may be magnified;

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield; and

(viii) an investor's liability is limited to the value of their investment.

Any of the above may ultimately have a negative effect on the ability of the Programme Issuer to meet its obligations under the Bonds.

The historical performance of an index should not be viewed as an indication of the future performance of such index. Inflation indexes may go down as well as up. Where Bonds in respect of which the amount of interest payable is subject to adjustment by reference to movements in an inflation index are issued, a decrease in such inflation index over the reference period will reduce the amount of interest payable in respect of such Bonds. In a deflationary environment, the annual interest received may be lower than the rate of interest specified in the applicable Final Terms. Where the amount payable upon redemption of the Bonds is subject to adjustment by reference to movements in an inflation index, a decrease in the specified inflation index over the reference period may reduce the amount to be repaid upon redemption of the Bonds to less than the nominal amount of the Bonds. Investors, as a consequence, may lose the value of their entire investment or part of it. The historical experience of the relevant inflation index should not be viewed as an indication of future performance of that inflation index during the term of any inflation linked Bonds. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any inflation linked Bonds and the suitability of such Bonds in light of its particular circumstances.

8.7 ***Fundamental Changes to RPI, HICP, CPI or CPIH***

Potential investors in Bonds linked to RPI, HICP, CPI or CPIH should be aware that (a) the market price of such Bonds may be volatile; (b) they may receive no interest; (c) they may risk losing part of, or their entire investment, for example, if exchange rates or any other relevant index moves sufficiently in an unanticipated direction; (d) payment of principal or interest may occur at a different time or in a different currency than expected; and (e) the amount of principal payable at redemption may be less than the nominal amount of such Bonds 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 Bond).

The formula used by the Office for National Statistics for calculating RPI, CPI or CPIH may change over time. Such a change in the methodology for calculating RPI, CPI or CPIH may affect the actual RPI, CPI or CPIH figure. Consequently, the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of Indexed Bonds may increase, or decrease, as a result of such a change to the RPI, CPI or CPIH figure.

In particular, in March 2020, a public consultation was launched on proposals issued by the UK Statistics Authority ("**UKSA**") on the timing and method of bringing CPIH methods and data sources into the RPI, including to cease the publication of RPI, and in the interim, to change the methodology used for calculating the RPI with the aim of it converging with the methodology for calculating CPIH. In November 2020, the Government and the UKSA published their response to

the consultation confirming that the methodology used for calculating the RPI will be aligned with the methodology used for calculating CPIH no earlier than 2030.

In April 2021, the trustees of the BT, Ford and Marks & Spencer pension schemes filed an application for a judicial review, which was granted in December 2021, over the legality of the planned change to the calculation of RPI, which they contended could leave millions of pensioners with RPI linked private sector final salary pensions worse off.

On 1 September 2022, the High Court ruled in favour of the Government, stating the proposed changes can legally and practically be made by the Government in February 2030. This High Court decision will have a significant impact on returns to index-linked gilt investors and other legacy users of RPI and it is unclear what, if any, further steps such investors may take. At the time of issue of any Indexed Bonds, the applicability or non-applicability of Condition 8 (*Redemption, Purchase and Cancellation*), as the case may be, in the case of a fundamental change to RPI, CPI or CPIH, as the case may be, may have a positive or negative impact on the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of Indexed Bonds. Each investor should consider carefully, and seek independent financial advice on, the impact of such changes on their investment.

8.8 ***Trading in the clearing systems - integral multiples of less than the minimum Specified Denomination***

In relation to any issue of Bonds which have a denomination consisting of the minimum Specified Denomination (set out in the applicable Final Terms) plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of the minimum Specified Denomination. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than such minimum Specified Denomination will not receive a definitive Bond in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more of such Specified Denominations.

8.9 ***Rating of the Bonds***

The ratings assigned by the Rating Agencies to the Bonds reflect only the views of the Rating Agencies and in assigning the ratings the Rating Agencies take into consideration the credit quality of AWL and structural features and other aspects of the transaction.

A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the business and financial condition of AWL or circumstances relating to the water industry generally.

There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies (or any of them) as a result of changes in, or unavailability of, information or if, in the Rating Agencies' judgement, circumstances so warrant. If any rating assigned to the Bonds is lowered or withdrawn, the market value of the Bonds may be reduced. Future events, including events affecting AWL and/or circumstances relating to the water and wastewater industry generally (including those described under "*Thames Water and the UK Water Sector*" above), could have an adverse effect on the ratings of the Bonds.

In general, United Kingdom 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 United Kingdom and registered under the UK CRA Regulation. 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 Community and registered under the EU CRA. If the status of the rating agency rating the Bonds changes such that it is no longer compliant with the requirements under the EU CRA Regulation or the UK CRA Regulation, European and UK regulated investors may no longer be able to use the rating for regulatory purposes and the Bonds may have a different regulatory treatment. This may result in European regulated investors or UK regulated investors selling the Bonds which may impact the value of the Bonds and any secondary market.

Where any Rating Agency is requested to confirm the then current ratings of the Bonds or to confirm that such ratings will not be downgraded following any particular event, or that a particular act or omission meets certain criteria of the Rating Agency, such confirmation may or may not be given at the sole discretion of the Rating Agency. Furthermore, it may not be possible or practicable for the Rating Agency to give such confirmation or to do so within any particular time period.

Confirmation, if and when given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transactions contemplated under the Programme since the date of this Prospectus.

No assurance can be given that a requirement to seek any such confirmation from a Rating Agency will not have a subsequent impact upon the business of any member of the AWL Financing Group.

A confirmation of ratings represents only a restatement of the opinions given at the date of this Prospectus and cannot be construed as advice for the benefit of any parties to the transactions contemplated under the Programme.

Credit ratings included or referred to in this Prospectus have been issued by the Rating Agencies. ESMA is obliged to maintain on its website, www.esma.europa.eu, a list of credit rating agencies registered in accordance with the EU CRA Regulation and the FCA maintains on its website, www.fca.org.uk, a list of credit rating agencies registered in accordance with the UK CRA Regulation. These lists are updated after the adoption by ESMA or the FCA, respectively, of any decisions to withdraw the registration of a credit rating agency under the EU CRA Regulation or the UK CRA Regulation, respectively. However, such lists are not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated list.

8.10 ***Withholding Tax under the Bonds***

In the event withholding taxes are imposed by or in any jurisdiction in respect of payments due under the Bonds, the Programme Issuer is not obliged to gross-up or otherwise compensate Bondholders for the fact that the Bondholders will receive, as a result of the imposition of such withholding taxes, cash amounts which are less than those which would otherwise have been the case. The Programme Issuer will, in such event, have the option (but not the obligation) of:

(i) arranging for the substitution of another company in an alternative jurisdiction in place of itself (subject to certain conditions); and, failing this,

(ii) redeeming all Outstanding Bonds in full (subject to certain conditions).

See Chapter 8 "*Terms and Conditions of the Bonds*" and Condition 8(f) (*Redemption for Taxation Reasons*).

8.11 ***Change of Law***

The structure of the transaction and, among other things, the issue of the Bonds and ratings assigned to the Bonds will be based on law (including tax law) and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and administrative practice. No assurance can be given that there will not be any change to such law, tax or administrative practice after the date of this Prospectus which change might impact on the Bonds and the expected payments of interest and repayment of principal.

8.12 ***Green Bonds***

Bonds issued as Green Bonds with a specific use of proceeds, may not meet investor expectations or requirements

The Final Terms relating to a specific Series of Bonds may provide that it is the Programme Issuer and/or AWL's intention to apply an amount, which at the Issue Date of the relevant Bonds, is equal to the net proceeds of the issue of such Bonds to the financing and/or refinancing of, and/or investment in, the Eligible Green Portfolio falling within the Eligible Green Project Categories (each as defined under Chapter 10 "*Use of Proceeds*" below) and/or in accordance with the Affinity

Water Green Finance Framework. Prospective investors who intend to invest in any Green Bonds issued under the Programme must have regard to the information set out in the section "*Use of Proceeds*" and determine for themselves the relevance of the information in the Prospectus and the relevant Final Terms (for example, regarding the use of proceeds) for the purpose of any investment in the Green Bonds together with any other investigation such investors deem necessary.

No assurance is given that such use of proceeds will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, the subject of or related to, the Affinity Water Green Finance Framework (including in relation to the Sustainable Finance Taxonomy Regulation and any related technical screening criteria, the EU Green Bond Regulation, SFDR, and any implementing legislation and guidelines, or any similar legislation in the United Kingdom or any market standards or guidance, including the ICMA Principles).

In particular, no assurance is or can be given to investors that the Eligible Green Project Categories and the Eligible Green Portfolio (each as defined in Chapter 10 "*Use of Proceeds*") will meet or continue to meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including but not limited to the Sustainable Finance Taxonomy Regulation and any related technical screening criteria, the EU Green Bond Regulation, SFDR, and any implementing legislation and guidelines, or any similar legislation in the United Kingdom or any market standards or guidance, including the ICMA Principles) or any requirements of such labels as they may evolve from time to time. Any Green Bonds issued under the Programme will not be compliant with the EU Green Bond Regulation and are only intended to comply with the requirements and processes in the Affinity Water Green Finance Framework.

It is not clear if the establishment under the EU Green Bond Regulation of the EuGB label and the optional disclosures regime for bonds marketed as "environmentally sustainable" could have an impact on investor demand for, and pricing of, green/social/sustainable use of proceeds bonds that do not comply with the requirements of the EuGB label or the optional disclosures templates, such as the Green Bonds issued under this Programme. It could result in reduced liquidity or lower demand or could otherwise affect the market price of any Green Bonds issued under this Programme that do not comply with the requirements of the EU Green Bond Regulation.

While it is the intention of the Programme Issuer and/or AWL to allocate an amount equal to the net proceeds of any Bonds issued as Green Bonds to the Eligible Green Portfolio falling within the Eligible Green Project Categories and for the Programme Issuer to report on (i) the Eligible Green Portfolio to which proceeds of Green Bonds have been allocated and the amounts allocated; (ii) the expected impact of the Eligible Green Portfolio; and (iii) the balance of unallocated cash and/or cash equivalent investments, as described in Chapter 10 "*Use of Proceeds*" below and/or in the applicable Final Terms, there is no contractual obligation to do so. There can be no assurance that any such Eligible Green Project will be available or capable of being implemented in, or substantially in, the manner and timeframe anticipated and, accordingly, that the Programme Issuer and/or AWL will be able to use an amount equal to the net proceeds of the issue of such Green Bonds for such Eligible Green Projects as intended. In addition, there can be no assurance that Eligible Green Projects will be completed as expected or achieve the impacts or outcomes (environmental, social or otherwise) originally expected or anticipated. Any failure to use an amount equal to the net proceeds from any Green Bonds on Eligible Green Projects or to meet or continue to meet the investment requirements of certain environmentally focussed investors with respect to any Green Bonds may affect the value of such Green Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

The Programme Issuer does not undertake to ensure that there are at any time sufficient Eligible Green Projects to allow for allocation of an amount equal to the net proceeds of the issue of such Green Bonds in full.

An amount equal to the net proceeds of the issue of any Green Bonds which, from time to time, are not allocated as for investment in the Eligible Green Project Categories, AWL will hold such net proceeds in its Accounts, at its discretion, in the form of cash or cash equivalent investments (as permitted under the Common Terms Agreement).

Each prospective investor should have regard to the factors described in the Affinity Water Green Finance Framework and the relevant information contained in this Prospectus and seek advice from their independent financial adviser or other professional adviser regarding its purchase of any Green Bonds before deciding to invest. The Affinity Water Green Finance Framework may be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Prospectus. The Affinity Water Green Finance Framework does not form part of, nor is incorporated by reference, in this Prospectus.

No assurance of suitability or reliability of any Second Party Opinion, Green External Review or any other opinion, review, certification or post-issuance report of any third party relating to any Green Bonds

In connection with the issue of Green Bonds, the Programme Issuer and/or AWL may request consultants and/or institutions with recognised social and environmental expertise to issue an opinion (i) confirming that the Eligible Green Portfolio (as defined in Chapter 10 "*Use of Proceeds*" below) has been defined in accordance with the broad categorisation of eligibility for green investments set out in the International Capital Market Association's ("**ICMA**") Green Bond Principles from time to time and the Loan Market Association's ("**LMA**") Green Loan Principles from time to time, and/or (ii) regarding the suitability of the Green Bonds as an environmental, social, sustainability and/or sustainable investment (any such opinion, a "**Green External Review**"). No representation or assurance is given by the Arranger, the Dealers or their affiliates as to the suitability or reliability of any Green External Review certification of any third party made available in connection with an issue of Bonds issued as Green Bonds.

DNV Business Assurance Services UK Limited has issued an independent opinion, dated 27 February 2025, on the Affinity Water Green Finance Framework (the "**Second Party Opinion**"). The Second Party Opinion provides an opinion on certain environmental and related considerations is a statement of opinion, not a statement of fact. No representation or assurance is given as to the suitability or reliability of the Second Party Opinion or any opinion, review or certification of any third party (including any post-issuance reports prepared by an external reviewer) made available in connection with an issue of Bonds issued as Green Bonds. The Second Party Opinion and any other such opinion, review, certification or post-issuance report, including any Green External Review, is not intended to address any credit, market or other aspects of any investment in any Bond, including without limitation market price, marketability, investor preference or suitability of any security or any other factors that may affect the value of the Bond.

Any Green External Review, the Second Party Opinion, the Affinity Water Green Finance Framework and any other opinion, review, certification or post-issuance report are not, nor shall they be deemed to be, incorporated in and/or form part of this Prospectus. A Green External Review, the Second Party Opinion and/or the Affinity Water Green Finance Framework may not reflect all the risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Green Bonds or Eligible Green Portfolio. A Green External Review, the Second Party Opinion, the Affinity Water Green Finance Framework and/or any other opinion, review, certification or post-issuance report would not constitute a recommendation to buy, sell or hold securities and would only be current as at its publication date. Prospective investors must determine for themselves the relevance of the Affinity Water Green Finance Framework, the Second Party Opinion, any Green External Review and/or the information contained therein and/or the provider of the Second Party Opinion, any Green External Review for the purpose of any investment in the Green Bonds. In particular, no assurance or representation is or can be given, including by the Dealers and their affiliates to investors that a Green External Review and/or the Affinity Water Green Finance Framework will reflect any present or future investor expectations or investment criteria with which such investor is required to comply. The Bondholders have no recourse against the provider of the Second Party Opinion, any Green External Review and/or the Affinity Water Green Finance Framework. In addition, although the Programme Issuer may agree at the time of issue of any Green Bonds to certain reporting and use of proceeds obligations it would not be an event of default under the Bonds if the Programme Issuer fails to comply. A withdrawal of the Second Party Opinion, a Green External Review, the Affinity Water Green Finance Framework and/or any other opinion, review, certification or post-issuance report may affect the value of the Green Bonds in respect of which such opinion, review, certification or post-

issuance report is given and/or may have consequences for certain investors with portfolio mandates to invest in green and/or social assets or in securities to be used for a particular purpose.

The criteria and/or considerations that formed the basis of the Second Party Opinion, any Green External Review and any other such opinion, review, certification or post-issuance report may change at any time and the Second Party Opinion and/or any Green External Review may be amended, updated, supplemented, replaced and/or withdrawn at any time. As at the date of this Prospectus, the providers of such opinions, reviews, certifications and post-issuance reports are not subject to any specific regulatory or other regime or oversight. The EU Green Bond Regulation will introduce a supervisory regime of external reviewers of bonds labelled as 'European Green Bonds' but this is not due to take full effect until 21 June 2026. Prospective investors must determine for themselves the relevance of any such opinion, review, certification, post-issuance report and/or the information contained therein.

It should be noted that no member of the Financing Group, no Dealer nor any of their affiliates nor any other person makes any representation as to the suitability of the Green Bonds to fulfil environmental and/or social criteria required by prospective investors. No member of the Financing Group is responsible for any third party assessment of the Eligible Green Project Categories. Nor is any Dealer nor their affiliates responsible for (i) any assessment of the Eligible Green Project Categories, or (ii) any verification of whether the Eligible Green Projects fall within the Eligible Green Project Categories, or (iii) the monitoring of the use of proceeds. Investors should refer to the Second Party Opinion at AWL's website, initially available as of the date of this Prospectus at https://www.affinitywater.co.uk/docs/Investor_Library/GreenFinance/second-party-opinion-green-finance-framework-2025.pdf (which also does not form part of this Prospectus), the Affinity Water Green Finance Framework and the relevant Green External Review for further information. The Second Party Opinion and Green External Review provider(s) have been appointed by AWL and the Programme Issuer.

The FCA has introduced its anti-greenwashing rule which requires communications to be (a) consistent with the sustainability characteristics of the product or service and (b) fair, clear and not misleading. As at the date of this Prospectus, the outcome of its consultation on its proposed "Guidance on the anti-greenwashing rule" has not been published. However, the guidance refers to "sustainability characteristics" as being, in the FCA's view, "environmental or social characteristics", though also notes that there is no single definition of sustainability. Accordingly, no assurance is or can be given by the Programme Issuer, the Guarantors, the Arranger, the Dealers or any of their respective affiliates or any other person to investors that any projects or uses of the proceeds will meet any or all investor expectations regarding such "green" or other equivalently-labelled performance objectives or that any adverse sustainable and/or other impacts will not occur during the implementation of any projects or uses of the proceeds.

It should be noted that, subject to the comments on the EU Sustainable Finance Taxonomy referred to below, there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus on, a "green", "sustainability" or "social" or an equivalently-labelled investment or as to what attributes result in a "green", "sustainable" or "social" or such other equivalent label and if developed in the future, such Bonds may not comply with any such definition or label. Accordingly, no assurance is or can be given to investors that any projects or any Eligible Green Investment will meet investor expectations regarding such "green", "sustainable" or "social" 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 any Eligible Green Investment.

A basis for determining the definitions of "green" and "sustainable" has been established in the EU with the publication of the EU Sustainable Finance Taxonomy, the EU Green Bond Regulation and the SFDR. The EU Sustainable Finance Taxonomy has been subject to further development by the European Commission through delegated regulations of technical screening criteria ("**TSC**") for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation.

The delegated act with the TSC for the first two environmental objections (being climate change adaptation and mitigation) under the Sustainable Finance Taxonomy Regulation came in effect from 1 January 2022. The TSC set out the conditions under which an economic activity qualifies as contributing substantially to climate change adaptation or mitigation and for determining

whether that economic activity causes no significant harm to any other environmental objectives in the EU Sustainable Finance Taxonomy. The European Commission formally adopted the delegated act on the TSC for the other four environmental objectives in the EU Sustainable Finance Taxonomy (water; circular economy; pollution prevention and control; and biodiversity and ecosystems) on 27 June 2023 and applied from 1 January 2024. On 9 March 2022, the European Commission published a Complementary Delegated Act ("**Complementary DA**") including, under certain circumstances, nuclear and gas energy activities in the list of economic activities covered by the EU Sustainable Finance Taxonomy. On 7 October 2022, Austria filed a legal challenge to the inclusion of nuclear and gas projects in the Complementary DA, which will remain in effect during the challenge.

The Financing Group's sustainability strategy (which embeds the key performance indicators to which the Green Bonds are linked) and its related investments do not seek to align with the EU Sustainable Finance Taxonomy and, until the technical screening criteria for such objectives have been developed, there is no certainty as to the extent the investments planned in the Financing Group's sustainability strategy could potentially satisfy those criteria or any other sustainable or environmental taxonomy, methodology standard or benchmark published by the Government. Furthermore, there can be no assurance that any Green Bonds will meet any other sustainable or environmental taxonomies, methodologies, standards or benchmarks which may be published by the Government in the future.

No assurance that Green Bonds will be admitted to trading on any dedicated "green", "sustainable", "social" (or similar) segment of any stock exchange or market, or that any admission obtained will be maintained

In the event that any Green Bonds are listed or admitted to trading on a dedicated "green", "sustainable", "social" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given that such listing or admission satisfies any present or future investment criteria or guidelines with which such investor is required, or intends, to comply. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by that any such listing or admission to trading will be obtained in respect of any such Green Bonds or that any such listing or admission to trading will be maintained during the life of the Green Bonds.

If any of the above risks outlined in this Green Bond risk factor materialise, this may have a material adverse effect on the value of such Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green assets (which consequences may include the need to sell the Bonds as a result of the Bonds not falling within the investor's investment criteria or mandate).

No breach of contract or Event of Default

None of a failure by the Programme Issuer and/or AWL to allocate the proceeds of any Bonds issued as Green Bonds or a failure by the Programme Issuer to report on (i) the Eligible Green Portfolio to which proceeds of Green Bonds have been allocated and the amounts allocated; (ii) the expected impact of the Eligible Green Portfolio; and (iii) the balance of unallocated cash and/or cash equivalent investments, as described in "*Use of Proceeds*" below and/or in the applicable Final Terms or a failure of a third party to issue (or to withdraw) an opinion, review, certification or post-issuance report in connection with an issue of Green Bonds or the failure of the Bonds issued as Green Bonds to meet investors' expectations or requirements regarding any "green", "sustainable", "social" or similar labels (including but not limited to the Sustainable Finance Taxonomy Regulation and any related technical screening criteria, the EU Green Bond Regulation, SFDR, and any implementing legislation and guidelines, or any similar legislation in the United Kingdom or any market standards or guidance, including the ICMA Principles) will constitute an Event of Default or breach of contract with respect to any of the Bonds issued as Green Bonds.

Green Bonds are not linked to the performance of the Eligible Green Projects, do not benefit from any arrangements to enhance the performance of the Bonds or any contractual rights derived solely from the intended use of proceeds of such Bonds

The performance of the Green Bonds is not linked to the performance of the relevant Eligible Green Projects or the performance of the Programme Issuer and/or AWL in respect of any environmental or similar targets. There will be no segregation of assets and liabilities in respect of the Green Bonds and the Eligible Green Projects. Consequently, neither payments of principal and/or interest on the Green Bonds nor any rights of Bondholders shall depend on the performance of the relevant Eligible Green Projects or the performance of the Programme Issuer and/or AWL in respect of any such environmental or similar targets. Holders of any Green Bonds shall have no preferential rights or priority against the assets of any Eligible Green Project nor benefit from any arrangements to enhance the performance of the Bonds.

8.13 ***The market continues to develop in relation to SONIA as a reference rate for Floating Rate Bonds***

The Programme Issuer may issue Floating Rate Bonds referencing SONIA. The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Bonds that reference SONIA issued under this Programme.

In addition, the methodology for determining any overnight rate index by reference to which the Interest Rate in respect of certain Bonds may be calculated could change during the life of the Bonds. Furthermore, the Programme Issuer may in the future also issue Bonds referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA referenced Bonds issued by it. The development of Compounded Daily SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Bonds issued under the Programme from time to time.

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

Market terms for debt securities indexed to SONIA such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of such Bonds may be lower than those of later-issued indexed debt securities as a result. Further, if SONIA does not prove to be widely used in securities like the instruments, the trading price of such Bonds linked to SONIA may be lower than those of Bonds linked to indices that are more widely used. Investors in such Bonds may not be able to sell such Bonds at all or may not be able to sell such Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and may consequently suffer from increased pricing volatility and market risk.

8.14 ***SONIA differs from other benchmarks in a number of material respects and has a limited history***

Publication of SONIA has a limited history. The future performance of SONIA may therefore be difficult to predict based on the limited historical performance. The level of SONIA during the term of Bonds issued under the Programme may bear little or no relation to the historical level of SONIA. Prior observed patterns, if any, in the behaviour of market variables and their relation to SONIA such as correlations, may change in the future.

Furthermore, interest on Bonds which reference Compounded Daily SONIA is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Bonds which reference such risk-free rates to reliably estimate the amount of interest which will be payable on such Bonds and some investors may be unable or unwilling to trade such Bonds without changes to their IT systems, both of which could adversely impact the liquidity of such Bonds.

8.15 ***The administrator of SONIA may make changes that could change the value of SONIA or discontinue SONIA.***

The Bank of England (or a successor), as administrator of SONIA, may make methodological or other changes that could change the value of SONIA, including changes related to the method by which SONIA is calculated, eligibility criteria applicable to the transactions used to calculate SONIA, or timing related to the publication of SONIA. If the manner in which SONIA is calculated is changed, that change may result in a reduction of the amount of interest payable on such Bonds which may adversely affect the trading prices of such Bonds. In addition, the administrator of SONIA may modify, amend, withdraw, discontinue or suspend the calculation or dissemination of SONIA (in which case a fallback method of determining the interest rate on the Bonds will apply) respectively, in its sole discretion and without notice. The administrator has no obligation to consider the interests of Bondholders when calculating, modifying, amending, withdrawing, suspending or discontinuing SONIA.

8.16 ***Regulation and reform of EURIBOR and other "benchmarks" could adversely affect any Bonds linked to such "benchmarks"***

Reference rates and indices, including interest rate benchmarks, such as EURIBOR which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated.

These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a significant adverse effect on any Bonds referencing or linked to such Benchmark. More broadly, any of the international, national or other proposals of reform, or the general increased regulatory scrutiny of the benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks" trigger changes in the rules or the methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes on certain "benchmarks".

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the EU Benchmarks Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates and on 4 May 2023, the euro risk-free rate working group published guidance for corporate lending products for implanting its recommendations on EURIBOR fallback trigger events and fallback rates. On 4 December 2023, the euro risk-free rate working group issued its final statement, announcing completion of its mandate.

At this time, it is not possible to predict the effect of any establishment of alternative reference rates or any other reforms to EURIBOR that may be enacted. Uncertainty as to the nature of such alternative reference rates or other reforms may adversely affect the trading market for EURIBOR-linked securities. The potential elimination of benchmarks such as EURIBOR, the establishment of alternative reference rates or changes in the manner of administration of such a benchmark could also require adjustments to the terms of the benchmark-linked securities and may result in other consequences such as interest payments that are lower than, or that do not otherwise correlate over time with, the payments that would have been made on those securities if the relevant benchmark was available in its current form.

8.17 ***The EU Benchmarks Regulation and the UK Benchmarks Regulation could adversely affect Bonds linked to a "benchmark"***

The EU Benchmarks Regulation became applicable from 1 January 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The EU Benchmarks Regulation, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks, and (ii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation, among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation could have a material impact on any Bonds linked to EURIBOR or another benchmark rate or index, including in any of the following circumstances:

(a) a "benchmark" ceases to be published, calculated or administered;

(b) an index which is a "benchmark" could not be used by a supervised entity in certain ways if its administrator does not obtain authorisation or register, or if based in a non-EU or non-UK jurisdiction (as applicable), the administrator is not otherwise recognised as equivalent; and

(c) the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the EU Benchmarks Regulation and/or UK Benchmarks Regulations, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level of the benchmark.

Any of the above could potentially lead to the Bonds being de-listed or redeemed early or otherwise affected depending on the particular "benchmark" and applicable terms of the Bonds.

8.18 ***Fallback arrangements could adversely affect Floating Rate Bonds***

The potential elimination of a benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions of the Conditions, or result in other consequences, in respect of any Bonds linked to such benchmark. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of the alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the terms of the relevant Bonds, the return on the relevant Bonds and the trading market for securities (including the Bonds) based on the same benchmark.

The Conditions of the Bonds provide for certain fallback arrangements, where the Interest Rate is to be determined by reference to the Relevant Screen Page and the Relevant Screen Page (or its successor or replacement) is not available, in the event that an Original Reference Rate (as defined in the Conditions) and/or any pages on which an Original Reference Rate may be published (or any other successor service) becomes unavailable or a Benchmark Event (as defined in the Conditions) otherwise occurs. If a Benchmark Event occurs, the Programme Issuer shall use its reasonable endeavours to appoint, at its own expense, an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Rate (including any Adjustment Spread) (each as defined in the Conditions) to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate (including any Adjustment Spread) to determine the Interest Rate is likely to result in Bonds linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Interest Rate) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Adjustment Spread (which could be positive, negative or neutral) is the spread formula or methodology which is used to produce a replacement of the Original Reference Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Bondholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and, even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Bondholders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Interest Rate. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) may result in Bonds linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Interest Rate) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Conditions provide that the Programme Issuer may vary the Conditions, the Agency Agreement and/or the Bond Trust Deed, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate (or, if applicable, Adjustment Spread), without any requirement for consent or approval of the Bondholders. If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate. Accordingly, the application of an Adjustment Spread may result in the Bonds performing differently (which may include payment of a lower Interest Rate) than they would do if the Original Reference Rate were to continue to apply in its current form.

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

If the Programme Issuer is unable to appoint an Independent Adviser or, the Independent Adviser fails to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread for the life of the relevant Bonds, the initial Interest Rate, or the Interest Rate applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Floating Rate Bonds, in effect, becoming Fixed Rate Bonds. In addition, due to the uncertainty concerning the availability of a Successor Rate or Alternative Rate and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time. Any such consequences could have a material adverse effect on the value of and return on any such Bonds.

8.19 ***Changes in Financial Reporting Standards***

Certain provisions of the Transaction Documents contain certain conditions and/or triggers which are based upon an assessment of the financial condition of the Financing Group calculated by reference to the financial statements produced in respect of the companies in the Financing Group. These financial and other covenants are set at levels which are based on the UK Generally Accepted Accounting Practice (UK GAAP) as in force at 31 March 2012. However, the Transaction Documents provide for the possibility of adjustments to the basis of calculation of the Financial Ratios to reflect a change in accounting treatment of certain items. In certain circumstances such changes may take effect without a STID Proposal.

It is possible that any future changes in these accounting principles, standards, conventions and practices which are adopted by the companies in the Financing Group may result in significant changes in the reporting of its financial performance. This, in turn, may necessitate that the terms of the conditions and triggers referred to above are renegotiated. Changes in accounting standards may also impact the tax position of the Financing Group and result in increased tax payments which may ultimately have an adverse effect on the ability of the Programme Issuer to make payments due under the Bonds.

8.20 ***Treatment of the Bonds for Capital Adequacy Purposes***

Changes to the risk weighted asset framework (or other regulations) may affect the treatment of the Bonds for capital adequacy purposes and therefore affect the liquidity and/or value of the Bonds.

The Basel Committee on Banking Standards (the "**Basel Committee**") has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as "**Basel III**"). In particular, Basel III provides for substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards and to establish a leverage ratio "backstop" and certain minimum liquidity standards (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). Basel Committee member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements. This second implementation deadline was deferred to January 2023 in light of the COVID-19 outbreak. As implementation of Basel III requires national legislation, the final rules and the timetable for its implementation in each jurisdiction may be subject to some level of national variation. On 30 November 2022, the Prudential Regulation Authority (the "**PRA**") published a consultation paper (CP16/22 (Implementation of the Basel 3.1 standards)) on the implementation of the final Basel III standards (which the PRA refers to as 'Basel 3.1'). On 27 September 2023, the PRA announced that implementation of Basel 3.1 would become effective from 1 July 2025, and that there would be a 4.5-year transition period, meaning full implementation by 1 January 2030. The changes to the Basel framework may have an impact on incentives to hold the Bonds for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Bonds.

In addition, recent amendments to the Capital Requirements Directive and other amendments to EU legislation could lead to certain investors being subject to additional regulatory obligations. These regulatory obligations would vary depending on the type of investor and the jurisdiction in which they are regulated. Investors should be aware that such regulatory obligations may adversely affect their own holding of the Bonds (if they fall within one of the relevant categories of regulated investors) and may adversely affect the price for which they can sell the Bonds or their ability to sell the Bonds at all.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Bonds and as to the consequences to and effect on them of the application of the Capital Requirements Directive as well as any changes to the Basel framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise. Each investor should make its own determination as to such treatment, conduct, appropriate due diligence and/or seek professional advice and, where relevant, consult its regulator.

CHAPTER 5
DESCRIPTION OF THE FINANCING GROUP

AWL is subject to economic regulation as further described in this Prospectus. As such, AWL's operational performance can impact on its financial performance through the financial reward and penalty mechanisms which Ofwat has in place to incentivise companies to deliver on their commitments. In AWL's view, such operational performance figures are not financial measures and as such not alternative performance measures unless specifically disclosed as such.

The Financing Group

As at the date of this Prospectus, Affinity Water Holdings Limited ("**AWHL**") is the holding company for the Financing Group. The principal business of AWHL is holding the shares of Affinity Water Limited ("**AWL**"), the group's regulated water company.

The directors consider Allianz Infrastructure Holding I Pte. Limited, CVC Capital Partners, DIF Management Holding BV, DIF Management UK Limited, HICL Infrastructure plc and Sun Life Financial Inc. (together the "**Consortium of Equity Owners**") to be AWL's ultimate controllers as they are in a position to exercise material influence over its policy and affairs (see further "*– History – Historical Background – Acquisition and Unification*" below).

The principal activities of AWL are water supply and distribution and building and maintaining water supply infrastructure. It does not carry out wastewater collection and treatment.

The Financing Group was established on the Initial Issue Date as a "ring-fenced" financing group to separate (so far as practicable) AWL financially and operationally from the rest of the group. Management believes that the ring-fencing structure provides significant benefits to AWL, providing better access to long-term debt markets and an opportunity to reduce significantly the cost of capital employed in the regulated business.

The structure of AWHL, its major subsidiaries, and its parent as at the date of this Prospectus is set out in Chapter 3 "*Overview of the Financial Structure*".

Affinity Water Limited

Overview

AWL is the largest of the water-only service companies in England and Wales, based on RCV (as per information available at https://www.ofwat.gov.uk/wp-content/uploads/2024/11/Monitoring-Financial-Resilience-Report-2023-24.pdf, which does not form part of this Prospectus). The table below shows the loss before tax, revenue and number of employees for the years ended 31 March 2024 and 31 March 2023 in respect of AWL.

	AWL
Revenue	
Year ended 31 March 2024	£347,651,000
Year ended 31 March 2023 (restated)*	£314,956,000
Loss Before Tax	
Year ended 31 March 2024	£48,939,000
Year ended 31 March 2023 (restated)*	£112,114,000
Number of Employees	
Year ended 31 March 2024	1,430
Year ended 31 March 2023 (restated)**	1,460

* The year ended 31 March 2023 has been restated to reflect a change in accounting policy relating to contributions for new connections related to developer services activity. Details of the restatement are available on pages 184 and 185 of the Affinity Water Annual Report & Financial Statements 2024.

** The number of employees is not affected by the restatement.

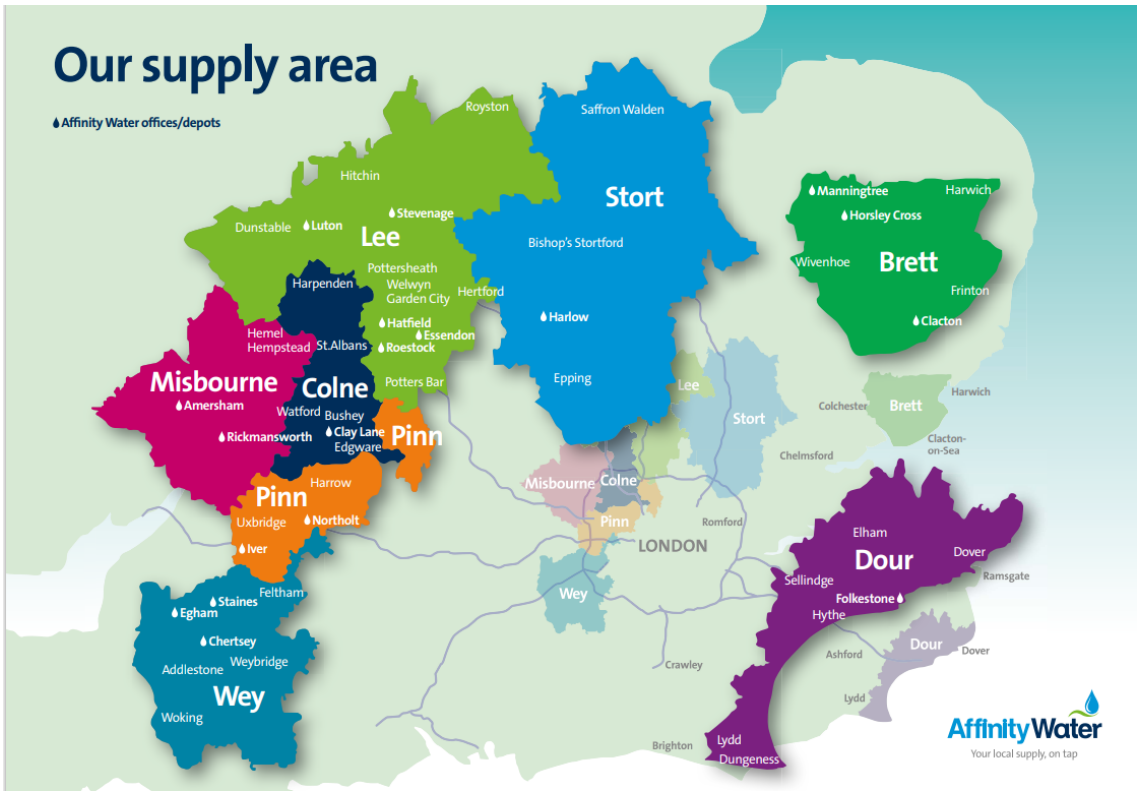
The table below shows the Water Services Regulation Authority's ("**Ofwat**") estimates of the RCV of AWL. RCV is an alternative performance measure. It has been determined by Ofwat in accordance with their required methodology and is a key component part of the calculation of AWL's allowed revenue. It is included in this Prospectus to allow potential Bondholders to better assess AWL's performance and business.

AWL's RCV[1]	**RCV at 31 March 2024**	**RCV at 31 March 2023**
	(thousands)	
AWL's RCV	£1,851,111	£1,713,709

AWL operates in an area of approximately 4,500km^2 split into three regions in the southeast of England which previously represented the three regions in which it operated as separate entities prior to the unification of these businesses on 27 July 2012. The prior divisions are set out in "*History – Historical Background – Acquisition and Unification"* below: southeast (413km^2) (the "**AWL Southeast Region**"), central (3,720km^2) (the "**AWL Central Region**") and east (382km^2) (the "**AWL East Region**" and, together with the AWL Central Region and the AWL Southeast Region, the "**AWL Regions**"). The AWL Central Region covers North London and the Home Counties both north and west of the capital including key urban centres such as Luton, Harlow, Stevenage, Watford and Woking. The AWL Southeast Region includes the urban centres of Folkestone and Dover and the AWL East Region includes the urban centre of Clacton. All three regions are determined by the Secretary of State for the Environment to be areas of serious water stress with current or future household demand for water being or likely to be a high proportion of effective rainfall available to meet current or future demand. Consequently, AWL has invested and continues to invest considerable resources in maintaining its water resources and managing demand to seek to ensure demand and supply remain in balance.

[1] Figures sourced from Ofwat.

Set out below is a map of AWL's water supply area.



History

Historical Background – Acquisition and Unification

On 28 June 2012, Rift Acquisitions Limited (subsequently renamed Affinity Water Acquisitions Limited) acquired a 100 per cent. shareholding in Veolia Water Capital Funds Limited (now Affinity Water Capital Funds Limited) from Veolia Water UK plc (now Veolia Water UK Limited). On 19 May 2017 Affinity Water Acquisitions (Investments) Limited was sold to Daiwater Investment Limited, with Daiwater Investment Limited now ultimately owned by the Consortium of Equity Owners and indirectly controling 100 per cent. of AWL.

Both Affinity Water Acquisitions Limited and Affinity Water Acquisitions (Investments) Limited were dissolved in January 2023, with Affinity Water Capital Funds Limited now a directly owned subsidiary of Daiwater Investment Limited.

AWL is a water only company and was granted the Instruments of Appointment by the Secretary of State for the Environment in 1989. AWL was originally incorporated as the Lee Valley Water Company by the Lee Valley Water Act 1959. Under powers conferred by the Water Act 1989, the Lee Valley Water Company was incorporated as Lee Valley Water Company plc under the Companies Act 1985 and registered in England and Wales on 17 October 1990 as a public company limited by shares. AWL was re-registered as a private limited company on 21 February 1992. It was then renamed Three Valleys Water plc and re-registered as a public company limited by shares on 31 March 1994 when the Instruments of Appointment of Colne Valley Water Limited and Rickmansworth Water Limited were unified with the Instrument of Appointment of Lee Valley Water Limited. The Instrument of Appointment of North Surrey Water Limited was unified with the Instrument of Appointment of Three Valleys Water plc on 1 October 2000. On 1 July 2009 Three Valleys Water plc changed its name to Veolia Water Central Limited and was re-registered as a private limited company. With effect from 27 July 2012, the Instruments of Appointment of Veolia Water Central Limited, Veolia Water East Limited and Veolia Water Southeast Limited were unified with Veolia Water Central Limited acquiring all of the respective property, right and liabilities. AWL was renamed Affinity Water Limited on 1 October 2012. The registered number of AWL is 02546950.

Instrument of Appointment

AWL is one of a number of water undertakers which are regional monopolies operating within a highly regulated industry in England and Wales and its operations are strongly influenced by economic, drinking water quality and environmental regulation. AWL is licensed to operate as a water undertaker for three separate regions in the southeast of England and Wales by means of the Instrument of Appointment. In particular, AWL's business and results are affected by the regulated tariff rates which AWL may charge its customers as well as by drinking water quality and environmental regulations and the terms of its Instrument of Appointment.

Economic Regulation

In each regulatory period, Ofwat set the allowed revenues intended to enable water and wastewater companies in England and Wales to finance their operations and earn a reasonable return on capital.

PR24 Business Plan and Draft Determination

In December 2022, Ofwat published its final methodology for the Price Review 24 process. The methodology confirmed the overall framework and timetable for setting price controls for the five years from April 2025 to March 2030 ("**AMP8**") and what Ofwat would expect in a high quality business plan.

In October 2023, AWL submitted the AWL PR24 Business Plan, which set its proposed prices, performance commitments and levels of investment as discussed further below. On 11 July 2024, in the Draft Determination, Ofwat assessed the AWL PR24 Business Plan as 'standard' and described the plan as meeting expectations and containing a reasonable level of ambition. In August 2024, AWL submitted its representations on the Draft Determination to Ofwat, which included changes to parts of their plan in response to feedback from Ofwat or other regulators. On 19 December 2024 Ofwat confirmed AWL's 'standard' status had not changed.

The AWL PR24 Business Plan is shaped around the expectations of AWL's customers. AWL undertook extensive customer and stakeholder research to establish its key outcomes including the expectations its stakeholders have of its business. The performance commitments and ODIs for 2025-30 for each of these expectations are set out below (see "*– AWL AMP8 Final Determination*" below).

AWL AMP8 Final Determination

The AWL AMP8 Final Determination published by Ofwat on 19 December 2024 sets out the proposed allowed revenue AWL can charge customers for water services from April 2025 to March 2030. The AWL AMP8 Final Determination also provides for an allowed wholesale "totex" (Ofwat's assessment of the capital and operating expenditure required by an efficient business to meet its wholesale outcomes and performance commitments). The AMP8 Final Determination also sets out the average cost to serve ("**ACTS**") for household retail services, which in conjunction with the wholesale totex is the full allowed revenue for AMP8.

Performance commitment, outcome delivery incentives

For the AMP8 period, actual performance against AWL's performance commitments will increase or decrease revenues, beyond 2027, where commitments have attached financial penalties associated with underperformance or rewards for outperformance (ODIs).

The performance commitments levels for the period 2025-30 and attached outcome delivery incentives ("**ODI**s") are set out in detail in the AWL AMP8 Final Determination and in particular in the Affinity Water company-specific appendix. The incentives include 'deadbands' (the neutral zone around performance commitments where incentives do not apply), 'penalty collars' (the level of performance at which the maximum penalty applies) and 'reward caps' (the level of performance at which the maximum reward applies). These are summarised in the table below.

Performance Commitment	Reward/ Penalty	Measure	2029/30 target	ODI Rate	Cap/Collar

Biodiversity	Both	Units per hectare	0.73	£1.272m	±0.50% RoRE
Operational GHG emissions	Both	Tonnes of CO2e	1.30% (74,658 Deadband)	£188	±0.5% RoRE
Discharge permit compliance	Penalty Only	% Compliance	100% (Deadband: 97%)	£0.164m	No
Serious pollution incidents	Penalty Only	Number of Cat. 1 & 2 incidents	0 (Deadband: 1)	£0.742m	No
Water supply interruptions	Both	Time per customer per year	00:05:00	£0.481m	-1.0% RoRE
Customer contacts about Water Quality	Both	Contacts per 1,000 population	0.67	£2.721m	No
Leakage	Both	% Reduction from 2019-20	31%	£0.658m	+1.00% RoRE
Repairs to burst mains	Both	Number per 1,000km	132	£0.114m	±0.50% RoRE
Unplanned outage	Both	% of peak week capacity	2.14%	£1.675m	±0.50% RoRE
CRI	Penalty Only	Numerical Score	0 (Deadband:1.0)	£1.049m	No
Low Pressure (Bespoke)	Penalty Only	Time per property per year	01:39:54	£0.03m	-0.5% RoRE
PCC	Both	% Reduction from 2019-20	13%	£0.484m	-0.5% RoRE +1.0% RoRE
Business demand	Both	% Reduction from 2019-20	11%	£0.175m	±0.5% RoRE
D-MeX	Both	Score /100	Industry median	League Table	±0.20% RoRE
BR-MeX	Both	Score /100	n/a	League Table	±0.20% RoRE
C-MeX	Both	Score /100	Calculated (~75)	£0.43m	±0.4% RoRE

Water Supply Operations

Overview

AWL's water supply service consists of the abstraction of water and its subsequent treatment and distribution to homes and other premises. Abstraction refers to the removal of water from surface sources, such as reservoirs and rivers (surface water), or from underground sources, such as aquifers (groundwater). Abstraction is governed by the EA via abstraction licences. All water is treated prior to being supplied to customers. Partially treated or untreated water may be supplied for industrial use, but water undergoes full treatment before being supplied to domestic customers, with the treatment processes used dependent on the quality of the raw water. In addition, all water undergoes the required disinfection processes before passing from a treatment works into a distribution network of interconnected water mains, service reservoirs and water towers.

The table below provides a summary of the sources from which AWL abstracted water for public supply in the regulatory year 2023/24.

Source for abstraction	AWL Central Region (per cent.)	AWL East Region (per cent.)	AWL Southeast Region (per cent.)
Groundwater	58.88	78.4	100
Surface water	35.16	-	-
Surface water imports	0.68	21.6	-
Bulk supply from neighbouring water companies	5.28	-	-

The mix of the types of abstraction sources in the AWL Instrument of Appointment area is largely a product of historical development and geology. Groundwater and raw water surface reservoirs typically provide more reliable water supplies than surface water river abstraction as rainwater can be stored from the winter to maintain supplies during summers and to provide security against drought. Some of the AWL Central Region's groundwater is derived from karstic borehole sources, which have characteristics similar to surface water as the rate of surface runoff is much quicker, thereby increasing pollution levels as the normal filtration process for non-karstic groundwater sources is by-passed and therefore generally requires more complex treatment, resulting in materially higher costs. Pollution of both surface and groundwater sources remains a risk for AWL, and AWL is facing reducing availability of groundwater in some catchments due to environmental concerns on river flows.

The table below shows the current number of source abstraction licences in respect of the AWL Central Region, AWL East Region and AWL Southeast Region respectively. AWL also holds a number of bulk supply import agreements and bulk supply export agreements across the AWL Regions. The table below also shows the percentage of existing licence capacity utilised on average in 2023/24 in respect of the AWL Central Region, AWL East Region and AWL Southeast Region.

Source for Abstraction	AWL Central Region	AWL East Region	AWL Southeast Region
Source abstraction licences held as of 17/02/2025	81	2	15
Utilisation of existing licence capacity in 2023/24 (excluding imports like Ardleigh and Grafham).....	79.89%	82.33%	59.67%

AWL along with Anglian Water has statutory entitlements to take water from Grafham Reservoir and Ardleigh Reservoir. These reservoirs are operated by Anglian Water.

Charges to Customers

Two key principles underpin AWL's charges to customers. The first principle is that AWL will ensure that the relevant charges are best calculated so that the revenue limits for each price control are not exceeded, and the second is that AWL will ensure that the charges do not show undue preference to any class of customer. AWL has three charging methods for water supply. Customers occupying a property where a meter is fitted are charged by the volume of water supplied. Where a meter is not fitted, customers occupying other properties either pay a charge based on the rateable value of the property or an assessed charge. Concessionary tariffs are available for certain vulnerable and low-income groups. AWL does not have any eligible non-household customers following its decision to 'exit' the retail market on 1 April 2017 and charges to household customers (as set out above) are distinct from charges to water supply licensees.

On average in the year to 31 March 2024 approximately 69 per cent. of total households and 86.73 per cent. of non-households which were supplied by AWL in the AWL Central Region, AWL East Region and AWL Southeast Region respectively had their water consumption metered.

The revenue limits for each price control as referred to above are those set in the final determination, as may be adjusted by Ofwat each year for in-period adjustments that allow Ofwat to apply financial incentives for good or poor performance outcomes. As well as ODIs applicable to wholesale charges, these adjustments include C-Mex incentives applied to retail charges. C-Mex assigns a score 0-100 to water companies based on customer satisfaction survey results. Each water company's score is compared to a benchmark score of satisfaction across other sectors. Rewards and penalties are calculated based on where the company's C-Mex score lies relative to the benchmark alongside the distance from upper and lower scores achieved in those comparator sectors. The maximum reward or penalty for C-Mex is capped at +/- 0.4% of RORE and C-Mex incentives are subject to moderation through the Outcome Adjustment Mechanism (OAM)

AWL is currently operating a trial tariff involving approximately 1,500 households. With Ofwat's full approval, AWL is testing a rising block tariff design to discover if that promotes affordability and water savings and to determine it's popularity with customers. The trial is due to complete on 30 September 2025.

Properties Served

The table below contains the water supply approximate average base statistics for the 2023/24 financial year.

	Properties served
	(thousands)
	AWL
Properties served as at 31 March 2024	1548.60
Domestic premises billed	1446.62
Unmeasured	441.55
Measured	1 005.07
Business/non-domestic premises billed	60.26
Unmeasured	8.17
Measured	52.09
Void Properties	30.50
Non-household Void Properties	11.18

Water quality

AWL invests to ensure that high standards of drinking water quality are maintained. The DWI reviews investment proposals and Ofwat determines the level of investment to be included in the relevant price control.

Treated water is distributed to a population of 3.9 million consumers through 1.51 million customer connections and a network of around 16,989 km of water mains. To assess compliance with drinking water standards prescribed in the Water Supply (Water Quality) Regulations 2016, as updated in 2018 (the "**Water Regulations**"), AWL monitors water quality through an extensive programme of regular sampling and analysis. The Water Regulations prescribe the legal requirements for monitoring and analysis of drinking water. Samples are taken by trained, accredited, uniformed samplers from all of AWL's water treatment works, service reservoirs, water towers and directly from customers' taps in its supply zones. The Water Quality Regulations specify the numbers of samples to be taken from each location, and the analysis to be undertaken with variation in sampling permitted subject to accredited risk assessments. The numbers of samples taken from a water treatment works depend on the volumetric output of the site, with monitoring in supply zones dependent on the population. Every month, the results of all samples taken as part of the Water Quality Regulations are submitted to the drinking water quality regulator, the DWI, along with commentary detailing the outcome of investigations into any breaches of drinking water standards. The DWI has powers to require improvements or take other enforcement action, although it may refrain from doing so if satisfied that AWL is taking appropriate remedial action.

AWL has well-developed processes in place for identifying and addressing water quality risks using a drinking water safety plan approach. Updates to AWL's risk assessments are returned to DWI on a monthly basis, and are subject to Individual Line Assessment ("**ILA**") audits.

The DWI measure for water quality is the Compliance Risk Index ("**CRI**"). The CRI is designed to allocate a numerical value to risk arising from treated water compliance failures, assigning a figure to the significance of the failing parameter, the proportion of consumers potentially affected and the quality of the AWL's response.

In 2023, the CRI score for AWL was 8.05. This is higher than AWL's 2022 score of 1.09 and its target of 2.00 for 2023. The increase in CRI score in comparison to 2022 was due to two breaches of the relevant standards in samples taken from AWL's biggest water treatment works, Iver, which incurred large scores. AWL has undertaken remedial work at Iver to prevent a recurrence of these breaches.

Undertakings

If a water company is contravening or is likely to contravene a water quality requirement, the Secretary of State for the Environment may (in lieu of making an enforcement order) accept from the water company a legally enforceable undertaking by which it undertakes to take appropriate steps to secure or facilitate compliance with the relevant requirement. AWL currently has two undertakings in place as of the date of this Prospectus, the details of which are in the table below.

Legal Instrument Reference	**Location**	**Parameter**
AFW-2023-00012 Undertaking	All Company	Lead
AFW-2023-00013 Undertaking	All Company	PFAS

Water companies are required to carry out a risk assessment of each of their treatment works (including the water source and catchment) and the connected supply system. Where such risk assessment identifies a significant risk of supplying water that could constitute a potential danger to human health, the DWI (on behalf of the Secretary of State for the Environment) may issue a notice requiring the water company to take certain steps to mitigate the risk or, in exceptional circumstances, requiring the water company to stop using the water supply until certain actions have been taken. AWL will be bound to comply with any such notice. AWL currently has ten notices in place as of the date of this Prospectus, the details of which are in the table below.

Legal Instrument Reference	**Location**	**Parameter**
AFW-2020-00005 Notice	Iver WTW	Cryptosporidium
AFW-2020-00006 Notice	Egham WTW	Cryptosporidium
AFW-2023-00001 Notice	Broome WTW	Nitrate
AFW-2023-00002 Notice	Kingsdown WTW	Nitrate
AFW-2023-00003 Notice	Holywell WTW	PFAS
AFW-2023-00004 Notice	Stansted WTW	Nitrate
AFW-2023-00008 Notice	Bowring WTW	PFAS
AFW-2023-00009 Notice	Wheathampstead WTW	PFAS
AFW-2023-00010 Notice	Blackford WTW	PFAS
AFW-2023-00011 Notice	Ardleigh WTW	PFAS

Once the required steps have been completed, AWL will carry out a year of sampling to demonstrate the effectiveness of the solution and then submit a completion report to DWI, which details the work that has been completed and the results of the sampling. When DWI is satisfied that the required solution has been effectively delivered, they will issue AWL with a letter in which they confirm they are satisfied that all the requirements of the notice/undertaking have been met and revoke the legal instrument.

Sources of Abstraction

The table below summarises the number of groundwater sources, water reservoirs and river abstractions. AWL owns, operates and maintains the combined raw water storage capacity of its reservoirs.

	Groundwater sources	**Reservoirs**		**River abstractions**
		Number	Storage capacity (Megalitres)	
AWL	111	4	3,691	3

Water Treatment Works and Water Mains

The table below sets out the treatment works operated by and the water mains maintained by AWL.

	Treatment works		Water mains
	Number	Megalitres of water produced per day	Maintained (km)
AWL	90	937	16,989

Planning and Investment

Supply and Demand

AWL relies on water demand modelling to maintain a secure balance of water supply and demand into the future. The demand for water is forecast by considering the components of residential and commercial/industrial supplies and leakage. This forecast is supported by extensive analysis of domestic water use, economic analysis of trends in industrial demand and the evaluation of the economic levels of leakage. Forecasts are revised periodically and agreed with Ofwat and the EA. Forecasts of demand include the distribution and predicted growth of population at local level and the impact of climate on the peak demand for water.

Demand for water over the long-term is determined by a number of factors. The most important factors that affect future demand are the change in population, household numbers, the amount of leakage and the proportion of metered and unmetered customers, i.e. customers who have water meters installed (as metered customers generally use less water than customers billed on the rateable value of the property), reductions due to water efficiency initiatives and impact of climate change.

In order to ensure there is sufficient water to supply its drinking water customers, both in the short-term and over the long-term, AWL must manage its water resources, treatment and distribution efficiently and effectively. As with other water companies, AWL has outlined its long-term 25 year supply and demand strategy in its WRMP, as required under the WIA.

AWL consulted extensively on its draft WRMP between 2020 and 2023. AWL's revised draft WRMP and Statement of Response (both published in February 2023) took account of representations from a wide range of regulators, stakeholders and interest groups. Following minor clarifications, the Secretary of State directed AWL to publish its final WRMP and in October 2024 the final WRMP was published for the period 2025 to 2075.

Resources

There are a number of factors that underpin AWL's ability to provide a reliable supply of drinking water to its customers. AWL relies on (i) access to raw water; (ii) information systems software and hardware to monitor supply of water and billing of customers; (iii) electricity to operate pumping stations, treatment plants and the pipe network; (iv) chemicals for water treatment and purification; and (v) a variety of materials as well as logistics and support services relating to installation and maintenance of network infrastructure and other assets.

Suppliers

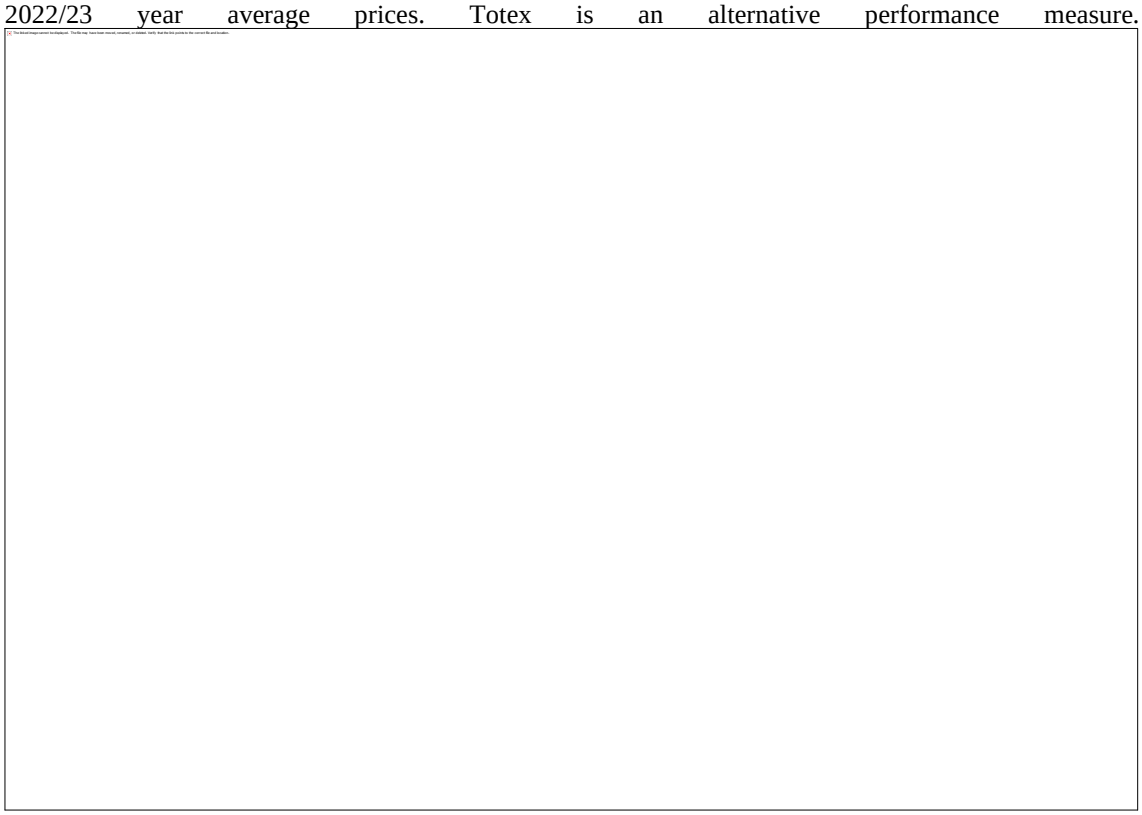
AWL depends upon a number of key inputs to deliver its water services and to construct new assets. AWL relies on (i) IT software and hardware to monitor delivery and supply from and to its water network, to schedule deployment of its own resources along with those of certain suppliers to manage its infrastructure and assets, and billing of customers, (ii) electricity to operate pumping stations, treatment plants and the pipe networks, (iii) chemicals for water purification and water recycling treatment and (iv) a variety of materials and support services relating to construction of plants, installation of network infrastructure and other capital plant works. A number of these are sourced from separate suppliers so as to ensure AWL's supply chain resilience.

Outsourcing

AWL utilises a number of third party providers of goods and services to support its operations and the delivery of its capital investment programme. Performance of contractors is monitored through a number of key performance indicators.

AMP8 Investment Programme

A summary of the totex programme determined by Ofwat for the AMP8 period is set out below in £million 2022/23 year average prices. Totex is an alternative performance measure.



Current Regulatory Performance

Ofwat Water Supply Performance Measures

The table below sets out AWL's performance across a range of performance commitment as set out by Ofwat in the PR24 FD.

Performance Summary

	Performance				**ODI reward/penalty (£m)**				
Performance Commitment	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total AMP7**
Water quality compliance (CRI)	1.31	0.87	1.09	8.05	0.000	0.000	0.000	-5.136	-5.136
Water supply interruptions	00:05:49	00:03:43	00:12:53	00:02:46	0.357	1.273	-3.741	1.234	-0.833

Leakage	1.7	10.5	15.8	18.3	-0.288	-0.176	0.439	0.000	-0.025
Per capita consumption*	-3.8	-4.1	-4.3	-1.5	-0.428	-0.972	-1.599	-2.258	-7.894
Mains repairs	155.8	100.2	169.6	98.3	-0.576	0.000	-2.610	0.000	-3.186
Unplanned outage	1.65	1.19	2.09	1.42%	0.000	0.000	0.000	0.000	0.000
Environmental innovation - delivery of community projects	0	3	6	1.000	0.000	0.429	0.858	0.143	1.716
Reducing the total number of void properties by identifying false voids	2.37	223.00%	2.02	2.03%	0.024	0.049	0.245	0.159	0.477
River restoration	7	20	23	30	0.000	0.104	0.035	0.035	0.174
Abstraction reduction	0	0	0	0	0.000	0.000	0.000	0.000	0.000
Number of sources operating under the Abstraction Incentive Mechanism	-304.31	-429.63	-1277.03	-266.540	0.029	0.040	0.120	0.025	0.214
Properties at risk of receiving low pressure	196.850	48.204	150.934	138.594	-0.869	-0.903	-0.938	-0.973	-4.691
Number of occupied properties not billed (Gap sites)	118	74	65	71.000	0.000	0.000	0.000	0.000	0.000
Unplanned interruptions to supply over 12 hours	538	477	6070	84.000	-0.715	-0.520	-0.794	0.397	-1.632
Customer contacts per 1000 of the population for Water Quality	0.83	0.75	0.56	0.580	-0.326	-0.163	0.000	0.000	-0.489

C-MeX	77.88	76.57	74.59	73.16	-1.545	-1.041	-1.059	-0.789	-4.434
D-MeX	84.38	85.54	86.36	87.04	-0.094	0.003	-0.202	-0.343	-0.636

*Per capita consumption ODI payments reflect Ofwat's updated targets based on the impact of Covid on customer behaviour.

The main areas of note are outlined below:

Drinking Water Quality: AWL has maintained a high level of compliance with mandatory EU and UK drinking water quality standards. The only year of underperformance in AMP7 was caused by two failed samples from AWL's largest water treatment works. Without these failed samples, water quality compliance (CRI) targets would have been met in every year of the AMP.

Leakage Control: Managing leakage has been one of the main operational priorities and the investment in leakage identification coupled with the replacement of leaking pipes has enabled AWL to improve its leakage performance and meet its current leakage target, delivering the largest leakage reduction in the UK water industry.

Per Capita Consumption: Reducing household customer consumption has been a challenge for the whole water industry with no company achieving the target for the reporting year 2023-24. AWL has an ambitious set of plans for the coming years, including widescale smart metering of customers, behaviour change campaigns and the use of rising block tariffs.

C-MeX (Customer Measure of Experience): AWL has ranked in the lower half of the industry throughout AMP7 for customer satisfaction.

Water Supply Interruptions: AWL has delivered significant performance gains in the common measure of supply interruptions. From a benchmark of over 30 minutes, AWL has consistently delivered strong performance in AMP7 and regularly ranks amongst the industry leaders for this measure. The only exception was 2022-23, which was heavily influenced by extreme weather conditions in both the summer and winter months. These conditions also are the primary contributory factor for mains repairs in 2022-23.

AWL has developed detailed and costed delivery plans for each of the AMP8 performance commitments, building on a strong performance across the majority of the AMP7 performance commitments and implementing lessons learnt in areas where improvement is required. The reduction in financial performance commitments to 16 in AMP8 enables a focussed approach to performance; growing ODI reward where possible, maintaining compliance across AWL's water quality and environmental obligations and closing the gap on commitments where performance is behind target.

Bad Debt

Following the introduction of the Water Industry Act 1999, regulated water companies were barred from disconnecting residential customers from their water supply for failure to pay bills. In the financial year 2023/24, the bad debt charge for AWL amounted to 3 per cent. of water service revenue. AWL is continually developing its collection procedures and systems and works with the Consumer Council for Water to ensure its processes are rigorous and fair.

The bad debt charge (as a percentage of revenue) is an alternative performance measure and is calculated by measuring bad debts as a percentage of turnover.

Insurance and Risk Management

AWL maintains insurance cover consistent with Good Industry Practice, including insurance policies against property damage and business interruption, employer's liability, public liability, directors' and officers' liability, motor vehicles, terrorism, crime, household, pension trustee, travel, airside liability, environmental, hired in plant, and professional indemnity. AWL keeps its insurance cover under continuous review.

These insurance policies have been reviewed by an independent reputable insurance broker retained to ensure that AWL's insurances (i) are consistent with Good Industry Practice; (ii) have regard to the risk being covered; (iii) address the interests of AWL and each Finance Party; and (iv) are placed and maintained

with insurers and underwriters of international repute on arm's length terms. As noted in Chapter 4 "*Risk Factors – Catastrophe Risk*", there can be no assurance that insurance coverage will be available for all risks. AWL has experienced a small number of claims from former employees and their families arising from historical primary or secondary exposure to asbestos during their employment, where insurance coverage was not available under current or previous insurance policies.

AWL has various risk control processes in place that management believes effectively monitor operational risks. The Affinity Water Annual Report & Financial Statements 2024 set out the approach taken to managing operational risks as detailed in the following pages, which are incorporated by reference into this Prospectus (see section "*– Documents Incorporated by Reference*" above):

- health, safety and wellbeing compromised (please see page 83 of the Affinity Water Annual Report & Financial Statements 2024);
- failure to supply (please see page 83 of the Affinity Water Annual Report & Financial Statements 2024);
- fail to retain rights skills (please see page 84 of the Affinity Water Annual Report & Financial Statements 2024);
- data compromise (please see page 84 of the Affinity Water Annual Report & Financial Statements 2024);
- supply chain failure (please see page 85 of the Affinity Water Annual Report & Financial Statements 2024);
- environmental damage (please see page 85 of the Affinity Water Annual Report & Financial Statements 2024);
- adverse climate impact (please see page 85 of the Affinity Water Annual Report & Financial Statements 2024);
- fail business transformation (please see page 86 of the Affinity Water Annual Report & Financial Statements 2024);
- crisis event disruption (please see page 86 of the Affinity Water Annual Report & Financial Statements 2024);
- asset deterioration (please see page 86 of the Affinity Water Annual Report & Financial Statements 2024);
- adverse regulatory change (please see page 87 of the Affinity Water Annual Report & Financial Statements 2024);
- fail legal obligations (please see page 87 of the Affinity Water Annual Report & Financial Statements 2024);
- funding challenges (please see page 88 of the Affinity Water Annual Report & Financial Statements 2024);
- adverse macro-economic change (please see page 88 of the Affinity Water Annual Report & Financial Statements 2024); and
- capital projects undelivery (please see page 89 of the Affinity Water Annual Report & Financial Statements 2024).

Environment

AWL aims to operate efficiently and to minimise its environmental impacts through the prudent use of natural resources, reductions in waste production and carbon emissions, and protection of the environment.

This is implemented (to the extent enabled by revenues set by the regulator) through the provision of strategies and continuous monitoring of performance in the following areas:

- Water resources and strategic water resources management;
- Energy management, transitioning fleet to electric, carbon accounting and climate change;
- Waste reduction, minimisation and management; and
- Conservation, access and recreation reporting.

Most of the UK's chalk streams are in the southeast of England with many flowing through AWL's supply area. They may experience lower flows when chalk groundwater (water table) falls below the bed of the river. This happens naturally along some stretches of river but can be exacerbated by groundwater abstraction. Chalk streams are one of the rarest freshwater habitats, and AWL's supply area contains 10 per cent. of all the world's chalk streams.

AWL reduced abstraction from chalk sources by 42 megalitres per day in the five year regulatory period to 31 March 2020 and plans to reduce abstraction by a further 38.34 megalitres per day by 31 March 2025. Through the PR24 Business plan submission, AWL is working towards delivery of a further reduction of 20.39 megalitres per day by 31 March 2030, with an additional abstraction reduction of 14.11 megalitres per day to be relocated from upstream to downstream sources. By 1 April 2025, AWL plans to reduce licensed abstraction from chalk sources by over 125 megalitres per day since AMP1. Investment and the undertaking of large-scale engineering schemes (such as the construction of Sundon conditioning plant) are required to ensure that there is sufficient available water to continue to supply AWL's customers following the implementation of sustainability reductions. A primary challenge for AWL's business at an operational level is adapting to the reduction in abstraction from a number of its groundwater sources while maintaining resilience of its supply to customers.

Pensions

The AWPP was established in February 2013, set up as an identical scheme to the Veolia UK Pension Plan, the plan in which AWL participated until 28 March 2013. The benefits of employees and former employees of AWL, along with the assets of the Veolia UK Pension Plan, were transferred into the AWPP with effect from 28 March 2013. The AWPP comprises a Defined Benefit (DB) Division and a Defined Contribution (DC) Division. The DB Division was closed to new entrants in 2004 and since then new members have only been eligible to join the DC Division, but it remains open to future accrual. The AWPP was a multi-employer sectionalised pension plan until 31 March 2015 when AWSS ceased to be a participating employer having entered a flexible apportionment arrangement with the AWPP trustee and AWL. As a result, the Shared Services section of the DB Division was consolidated with the Central, East and Southeast sections into one DB Division: the Affinity Water Pension Plan Final Salary Division. On 1 April 2017, AFBRL became a participating employer of both Divisions of the AWPP by way of a deed of participation between the pension trustee, AWL and AFBRL. AFBRL ceased to be a participating employer on 30 September 2020 following AFBRL's sale to Castle Water Limited.

Litigation/Actions

There are no, and have not been any, litigation or arbitration proceedings which have, may have or have had, within the period of 12 months preceding the date of this Prospectus, a material effect on the financial position of AWL, nor is AWL aware of any such proceedings being pending or threatened.

Instrument of Appointment Conditions and Regulatory Ring-Fencing

For many years, the Regulated Companies in England and Wales have been subject to regulatory ring-fencing obligations pursuant to their respective licences. The development of these ring-fencing obligations, and their adoption by Regulated Companies, has been somewhat haphazard such that different companies

were subject to different ring-fencing obligations. Ofwat has taken a number of steps towards harmonising the applicable licence provisions, most recently by way of licence modifications implemented in July 2020.

As now amended, the ring-fencing provisions of the Instrument of Appointment as at the date of this Prospectus which AWL considers to be most important are:

(a) **Transactions between AWL and its associated companies**: Any transaction between AWL and its associated companies (being its subsidiaries and any affiliated companies) must be conducted at arm's length, such that there is no cross-subsidy of the associated company by AWL (or vice versa). See Chapter 6, "*Regulation of the Water Industry in England and Wales*". This requirement is supplemented by RAG 5, failure to comply with which (or with any of Ofwat's Regulatory Accounting Guidelines) may give rise to a breach of the Instrument of Appointment and possibly the Competition Act.

(b) **Limits on transfer of certain assets**: Save with the express consent of Ofwat, AWL is not permitted to transfer certain rights or assets (being those which a Special Administrator would require if a Special Administration Order were made in order to operate the Appointed Business) to an associated company.

(c) **Restrictions on other transactions**: Save with the express consent of Ofwat, AWL must not: (i) give any guarantee of any liability of any associated company; (ii) make to any associated company a loan; or (iii) enter into an agreement or incur a commitment incorporating a cross-default obligation (whether with an associated company or otherwise).

(d) **Restrictions on Dividend Payments**: AWL is required to declare or pay dividends only in accordance with a dividend policy which has been approved by the board of AWL and which complies with the principles: (i) that dividends declared or paid will not impair the ability of AWL to finance its regulated business, taking account of current and future investment needs and financial resilience over the longer term; (ii) that dividends declared or paid take account of service delivery for customers and the environment over time, including performance levels, and other obligations; and (iii) that dividends declared or paid reward efficiency and the management of risks to the regulated business.

(e) **Adequate Resources**: AWL is required at all times to act in a manner best calculated to ensure that it has adequate financial resources and facilities, management resources and systems of planning and internal control to carry out its regulated activities (including necessary investment programmes). The board of AWL is required to certify on an annual basis, among other things, that in the opinion of the board this requirement as to adequacy will continue to be met for the subsequent 12-month period. The main factors taken into account in giving its opinion must also be disclosed to Ofwat. The board is required to inform Ofwat as soon as it becomes aware of any circumstances which would change its opinion in this regard.

(f) **Special administration**: AWL must ensure at all times, so far as reasonably practicable, that if a Special Administration Order was made in respect of it, AWL would have available to it sufficient rights and resources (other than financial resources) to enable the Special Administrator to manage its affairs, business, and property so that the purposes of such order could be achieved. See Chapter 6, "*Regulation of the Water Industry in England and Wales – Instrument of Appointment – Special Administration Orders*".

(g) **Conducting the Appointed Business of AWL**: AWL is required to operate the Appointed Business as though it were substantially AWL's sole business and a separate public limited company.[2] It is also required to meet Ofwat's objectives on board leadership, transparency,

[2] Ofwat has stated that, in assessing compliance with the requirement to conduct the regulated business as if it were the sole business of AWL and AWL were a separate public limited company: "*we may take account, inter alia, of the constitution of the board, but we would not need nor wish to try and second guess whether or not the directors were acting in, or in what they thought were, the interests of*" AWL. Ofwat further stated that it did not see this requirement "in any way as the regulator re-interpreting the duties of a director under either the Companies Act or common law. nor in [Ofwat's] view should it be construed as precluding a director from having due regard to the interests of an Appointee's shareholders".

and governance, which are set out below, and explain in a manner that is effective, accessible and clear how it is meeting those objectives. The objectives are that:

(i) its board establishes the company's purpose, strategy, and values, and is satisfied that these and its culture reflect the needs of all those it serves;

(ii) it has an effective board with full responsibility for all aspects of AWL's business for the long term;

(iii) the board's leadership and approach to transparency and governance engenders trust in AWL and ensures accountability for their actions; and

(iv) the board and its committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

(h) **Investment Grade Rating**: AWL is obliged to ensure that it (or any associated company as issuer of corporate debt on its behalf) maintains, at all times, two investment grade credit ratings from two different credit rating agencies and to notify Ofwat of changes to those ratings.

(i) **Cash lock-up provision**: this provision prohibits, subject to certain limited exceptions, without Ofwat's prior consent, the transfer of cash or other assets to an associated company when AWL: (i) no longer holds an investment grade rating; or (ii) holds a rating at the minimum investment grade level and that rating has been put under review for possible downgrade or is assigned a negative outlook.

(j) **Maintenance of a bond listed on the London Stock Exchange**: AWL is required to maintain the listing of a financial instrument on the London Stock Exchange (or with the prior agreement of Ofwat, some other exchange of similar standing) whose market price should react to the financial position of AWL's Appointed Business; and it must use all reasonable endeavours to retain that financial instrument, unless it satisfies Ofwat that the listing is no longer appropriate.

(k) **Ultimate Controller provision:** AWL must secure legally enforceable undertakings from its Ultimate Controller and, when such Ultimate Controller is not the UK holding company, from its UK holding company, that they (and each of their subsidiaries (other than AWL and its subsidiaries)), will:

(i) give AWL all such information as may be necessary to enable AWL to comply with the Instrument of Appointment;

(ii) refrain from any action which might cause AWL to breach any of its obligations under the WIA or the Instrument of Appointment; and

(iii) AWL must inform Ofwat immediately in writing if it becomes aware that the undertaking has ceased to be legally enforceable, or that there has been any breach of its terms; and except with the written consent of Ofwat, refrain from entering (directly or indirectly) into any contract or arrangement with its Ultimate Controller or any associated company (other than subsidiaries of AWL) at a time when no such undertaking exists or there is an unremedied breach of such undertaking. For these purposes, "**Ultimate Controller**" means any person which, whether alone or jointly and whether directly or indirectly. is in the reasonable determination of Ofwat, in a position to control, or to materially influence, the policy or affairs of the Appointed Business or of any holding company of the Appointed Business.

There is a new obligation to inform Ofwat if AWL becomes aware that arrangements are in progress that may lead to a change of Ultimate Controller; and to enforce Ultimate Controller undertakings given to AWL if Ofwat so directs.

With effect from 1 February 2021, changes were made to AWL's Instrument of Appointment to bring into effect the option of direct procurement for customers ("**DPC**"). DPC involves a water company competitively tendering for services in relation to the delivery of certain large infrastructure projects.

In December 2023, Ofwat introduced a customer-focused licence condition into the licences of all water companies. This is intended to establish a regulatory basis for how Regulated Companies treat their customers, including those in vulnerable circumstances. Ofwat said that the aim of the new licence condition is to drive a positive change in the levels of customer service in the water sector, and to hold companies to account where customers, including the most vulnerable, are harmed and / or repeatedly failed. It will also offer protection for non-household customers who are not served by a retailer. The new licence condition replaced the former Condition G of AWL's Instrument of Appointment ("**Condition G**") within water company licences. Condition G defined core customer information, how that information is provided to customers and a process of reviewing such information provision. The new licence condition came into effect on 12 February 2024.

At the same time as introducing the customer-focused licence condition, Ofwat deleted Condition J within water company licences. Condition J required AWL to report to Ofwat annually on levels of service, based on a 1989 letter from the Secretary of State. Ofwat justified the deletion of Condition J on the basis that the powers provided by Condition J were already granted by other conditions elsewhere in the licence.

Directors and Company Secretary

The directors and company secretary of AWL are set out below, each of whose business address is Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ.

There are no potential conflicts of interest between any duties to AWL of its directors and their private interests or duties, save as may be disclosed in this Prospectus in the relevant director's biography as "Current External Appointments".

DIRECTORS

Chair

Mike Brown

Date of Appointment

October 2024 (as Chair Designate) and February 2025 (as Chair).

Career

Mike has extensive experience in the role of Chair across a number of industries, particularly transportation and construction. His prior roles include Commissioner for Transport for London, the world's largest regulated transport authority, and he led the Mayor's multi-billion pound investment programme, including the preparation for the highly successful 2012 London Olympics. Mike was also Managing Director of Heathrow Airport during a large-scale transformation and passenger improvement programme. He was appointed as a member of the Royal Victorian Order (MVO) in 2002 and as a Commander of the British Empire (CBE) in 2020.

Skills and Experience

Mike holds an honorary Doctorate from the Queen's University of Belfast and is a Fellow of the Royal Society of Arts and of the Chartered Institute of Logistics and Transport. Mike is a double alumnus of Windsor Leadership, having participated in the Experienced Leaders programme and Strategic Leaders Consultation.

Current External Appointments

Mike is the Chair of Restoration & Renewal Delivery Authority Ltd, which the Houses of Parliament established to manage the major programme of works to ensure that the Palace of Westminster is renewed and restored for future generations.

He is also the Chair of the Rail Safety and Standards Board and is on the Board of Translink, Northern Ireland's transport authority, as well as being an Adviser and Independent Chair of the Shareholder Committee for Mott MacDonald.

Executive Directors

Keith Haslett

Date of Appointment

January 2023.

Career

Keith Haslett is the CEO of Affinity Water, the largest water-only company in the UK. Since joining in January 2023, he has been leading a vast programme of work focused on sustainability, investment in infrastructure and reducing the demand for water. A chartered civil engineer, he has a career spanning 25 years in the water industry working in both public and privately owned water companies in England, Northern Ireland, and New Zealand. Prior to his role at Affinity Water, he was Water Director at Northumbrian and Wastewater Director at United Utilities and held other senior roles within Northern Ireland Water.

Skills and Experience

Keith is a qualified engineer with comparative business and operations experience in the regulated water and wastewater sectors in the UK, both with large private and listed companies. This wealth of water industry experience in senior roles within PLC and Government utility businesses means he has a track record of achieving industry leading performance. Keith has a BEng in Civil Engineering and an MBA from The Queens University of Belfast.

Adam Stephens

Date of Appointment

January 2025.

Career

Adam joined Affinity Water as CFO in January 2025. Adam has a wealth of experience in corporate finance and business strategy, as well as extensive water-industry knowledge, having previously held a number of senior finance roles at Severn Trent Plc, as well as Executive Director and Chief Financial Officer at Hafren Dyfrdwy, which is a Water and Waste Water Company covering North and Mid-Wales (a subsidiary of Severn Trent).

Skills and Experience

Adam is an experienced finance professional and has extensive water sector experience and regulatory knowledge. Adam is a fellow of the ICAEW, having trained as a Chartered Accountant with Deloitte, and is qualified with the Association of Corporate Treasurers.

Independent Non-Executive Directors

Shelley Malton

Date of Appointment

December 2023.

Career

Shelley is a FTSE-30 operating Board level Managing Director, with a strong commercial focus delivering customer centricity, people leadership, cultural and transformational change.

With over 25 years of experience in the financial services industry, she has led major transformations at Vodafone, Experian, Barclays, including customer experience, outsourcing, automation and operations transformations.

Skills and Experience

Shelley brings a 25+ year track record in customer experience turnaround, operations, digital, cyber, and commercial roles in global, regulated businesses of high complexity across multiple sectors. Shelley holds an Associateship of the Chartered Institute of Bankers and is a Graduate of the Chartered Institute of Personnel and Development.

Current External Appointments

Shelley is Director of Operations at NatWest Group plc.

Chris Newsome

Date of Appointment

January 2019.

Career

Chris has extensive experience across large, regulated infrastructure businesses and over 40 years' experience within the water industry at Yorkshire Water, Kelda Water and Anglian Water. He was Director of Asset Management at Anglian Water, Chair of @oneAlliance and Chair of UK Water Industry Research.

Skills and Experience

Chris has a BSc in Civil Engineering from Loughborough University, an MBA from the Manchester Business School, and a post-graduate diploma in Structural Engineering from the University of Bradford. He has a wealth of experience in planning, constructing, operating and maintaining large asset bases. He is a recognised leader in reducing carbon in infrastructure.

Current External Appointments

Chris is a founding member of the Government's Green Construction Board and a member of the Government's Circular Economy Taskforce, an independent expert advisory group established in November 2024 to support the government in creating a circular economy strategy for England. He is also a past President and board member of the Institute of Asset Management and director of UK Water Partnership Limited.

Justin Read

Date of Appointment

July 2020.

Career

Justin was CFO of SEGRO plc from 2011 to 2016, and Speedy Hire plc from 2008 to 2011. Previously he had worked at Hanson plc, Euro Disney SCA and Bankers Trust Company.

Skills and Experience

Justin has a wealth of financial and management experience working as an executive and non-executive across a number of different industry sectors in a wide variety of businesses both within the UK and internationally. Justin has an MBA from INSEAD in France and a MA in Modern History from Oxford University. He was appointed AWL Senior Independent Director on 1 September 2024.

Current External Appointments

Justin is the Senior Independent Director and Chair of the Audit Committee and member of the Remuneration and Nomination Committees of Grainger PLC. He is also a Non-Executive Director and Chair of the Audit and Risk Committee and member of the Remuneration and Nomination Committees of Marshall of Cambridge (Holdings) Ltd. He is also a Non-Executive Director at Ibstock Plc and Chair of the Audit Committee and a member of the Remuneration and Nomination Committees.

Non-Executive Directors

Michael Osborne

Date of Appointment

April 2022.

Career

Mike began his career in 2002 with Ernst & Young and then moved to Citi, where he advised on project financing, mergers & acquisitions and capital raising within the infrastructure sector, before joining Citi Infrastructure Investors in 2008. Mike then spent six years with Corsair Capital as a Principal, where he also served as a board member of Corsair portfolio companies Kelda Holdings (from 2013), its regulated subsidiary Yorkshire Water Services (from 2017), and Itínere Infraestructuras, a toll road platform in Spain (from 2014).

Skills and Experience

Mike is an experienced investment professional, whose career includes over ten years on water company boards, engaging with the key regulatory, operational and financial issues facing the sector. He holds an MChem degree in chemistry from the University of Oxford.

Current External Appointments

Mike has been a Managing Director at InfraRed Capital Partners since October 2021 and oversees investments including Arqiva, High Speed One and Affinity Water. He is also a director of Queen Alexandra Hospital and Barnet Hospital.

Roxana Tataru

Date of Appointment

July 2021.

Career

Roxana is currently Director at Allianz Capital Partners where she focuses on portfolio management and the origination of investment opportunities across the infrastructure sector. Roxana was previously at RBC Capital Markets where she performed various infrastructure M&A and financing advisory roles, latterly as an Associate for the organisation.

Skills and Experience

Roxana has a wealth of financial experience working in asset management, banking, finance, and capital markets across the sector. She holds a BSc in Management (Accounting and Finance) from Manchester Business School.

Current External Appointments

Roxana has been a member of the board of Floene, Portugal's largest gas distribution network and director of four Porterbrook Group companies since 2022 and a director of Allianz Capital Partners since June 2021**.**

Adam Waddington

Date of Appointment

May 2023.

Career

Adam Waddington is a Managing Director at DIF Capital Partners and head of the Portfolio team. Adam joined DIF in 2013 and has served as board member for a number of companies in the social, economic and renewables infrastructure spaces. This has included offshore and onshore wind, hospitals, roads, housing, and education projects. Adam established the Portfolio team at DIF to provide analytics, performance reporting and valuations across the range of DIF investments.

From 2006 to 2013, Adam developed investments in the PPP and regulated sectors at Babcock & Brown and subsequently Amber Infrastructure. On the regulated side, this was within the OFTO (Offshore Transmission Operator) sector.

Skills and Experience

Adam is an experienced infrastructure investment professional with a career spanning investment, asset management and valuation. Adam graduated with a degree in Physics from Imperial College, London in 1996 and achieved award of the CFA designation in 2003.

Current External Appointments

Adam has been a director of DIF Infra 4 Ireland Limited since 2015.

Company Secretary

Patrick Makoni – Company Secretary

Appointment as Group Company Secretary: 3 April 2023 (expected to resign in March 2025, with a new Group Company Secretary appointed).

Qualifications: Patrick is a qualified Chartered Company Secretary and an Associate of the Chartered Governance Institute (CGI). Patrick holds a BSc in Finance (Honours), an MSc in Corporate Governance and Leadership, and a Masters in Law. He is also a member of the Chartered Institute of Internal Auditors.

Skills and career experience: Patrick has a wealth of experience working with multi-structures and regulated entities within higher education, the charity sector, executive non-departmental public bodies, private and public sectors. He has demonstrable accomplished company secretarial technical skills, including good working knowledge of the Companies Act and Corporate Governance Code. Patrick has previously served as a governor at The Chalfonts Community College in Buckinghamshire and as company secretary, director and trustee of High Wycombe Citizens Advice Bureau.

Company Structure as at the date of this Prospectus

The registered office of AWL is Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ. AWL is a wholly owned direct subsidiary of AWHL and the authorised share capital of AWL is £30,505,782.40 divided into 305,057,824 ordinary shares. The issued share capital of AWL is £30,505,782.40 divided into 305,057,824 ordinary shares, all of which have been fully paid up. The Programme Issuer and the Existing Issuer are the only subsidiaries of AWL (except for certain dormant companies). AWL's auditors are PricewaterhouseCoopers LLP whose address is 40 Clarendon Road, Watford, Hertfordshire, WD17 1JJ. PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales.

Corporate governance

AWL is committed to the highest standards of governance and supports the principles of good corporate governance set out in the 2018 UK Corporate Governance Code (the "**Code**") and the UK Stewardship Code. AWL has published a Governance Code (updated in February 2021), which sets out for its customers, investors, regulators and other stakeholders how AWL governs and operates its business to high standards of governance and transparency. Further information about AWL's approach to corporate governance is set

out in the annual report (which includes the statutory audited annual unconsolidated financial statements) of AWL for the year ended 31 March 2024.

AFFINITY WATER HOLDINGS LIMITED

Introduction

AWHL was incorporated under the Companies Act 2006 and registered in England and Wales on 7 January 2013 with limited liability under number 08350099.

The registered office of AWHL is Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ. AWHL is a wholly-owned direct subsidiary of Holdco and its authorised share capital is £2 divided into 2 ordinary shares. Its issued share capital is £4,000,002.00 divided into 4,000,002 ordinary shares, which have been fully paid up. AWHL is a special purpose vehicle set up as a holding company and its direct and indirect subsidiaries are AWL, the Programme Issuer and the Existing Issuer, respectively. AWHL's auditors are PricewaterhouseCoopers LLP whose address is 40 Clarendon Road, Watford, Hertfordshire, WD17 1JJ. PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales.

Directors and Company Secretary

The directors and company secretary of AWHL, each of whose business address is, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ are:

Directors:	Keith Haslett
	Adam Stephens
	Jonathan Carter
	Michael Osborne
	Roxana Tataru
	Adam Waddington
Company Secretary:	Patrick Makoni (expected to resign in March 2025, with a new Company Secretary appointed)

There are no potential conflicts of interest between any duties to AWHL of its directors and their private interests or duties, save as may be disclosed in this Prospectus in the relevant director's biography as "Current External Appointments".

AWHL has no employees nor does it own any physical assets. Administration and treasury functions are conducted on its behalf by AWL.

The principal activity of AWHL is to hold the shares of AWL and to enter into documents incidental to the Programme.

AWHL is empowered under its memorandum and articles of association to enter into the transaction documents to which it is a party and its directors have authority under AWHL's articles of association to exercise that power on its behalf.

AFFINITY WATER FINANCE PLC

Introduction

The Programme Issuer, Affinity Water Finance PLC, was incorporated and registered England and Wales on 13 November 2018 with limited liability under number 11674789. The registered office of the Programme Issuer is The Hub, Tamblin Way, Hatfield, United Kingdom, AL10 9EZ; its telephone number is 0345 357 2402. The Programme Issuer's authorised share capital is £50,000 divided into 50,000 ordinary

shares of £1.00 each, and its issued share capital is £50,000 divided into 50,000 ordinary shares of £1.00 each, all of which have been fully paid up. The website of the Programme Issuer is www.affinitywater.co.uk but information on the website does not form part of this Prospectus unless it has been explicitly incorporated by reference into this Prospectus.

The Programme Issuer is a wholly-owned direct subsidiary of AWL and a special purpose vehicle for the purpose of issuing asset backed securities. The Programme Issuer was established for the purposes of raising funds to support the long-term debt financing requirements of AWL. The Programme Issuer has no subsidiaries. The Programme Issuer's auditors are PricewaterhouseCoopers LLP whose address is 40 Clarendon Road, Watford, Hertfordshire, WD17 1JJ. PricewaterhouseCoopers LLP is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales.

Directors and Company Secretary

The directors and company secretary of the Programme Issuer, each of whose business address is, The Hub, Tamblin Way, Hatfield, United Kingdom, AL10 9EZ are:

Directors:	Keith Haslett
	Adam Stephens
	Michael Osborne
	Roxana Tataru
	Adam Waddington
Company Secretary:	Patrick Makoni (expected to resign in March 2025, with a new Company Secretary appointed)

There are no potential conflicts of interest between any duties to the Programme Issuer of its directors and their private interests or duties, save as may be disclosed in this Prospectus in the relevant director's biography as "Current External Appointments".

The Programme Issuer has no employees nor does it own any physical assets. Administration and treasury functions are conducted on its behalf by AWL.

The Programme Issuer is empowered under its memorandum and articles of association to enter into the transaction documents to which it is a party and its directors have authority under the Programme Issuer's articles of association to exercise that power on its behalf.

AFFINITY WATER FINANCE (2004) PLC

Introduction

Affinity Water Finance (2004) plc (formerly known as Affinity Water Finance (2004) Limited, prior to which it was known as Affinity Water Finance (2004) plc, prior to that as Veolia Water Central Finance plc, and prior to that as Three Valleys Water Finance plc) was incorporated under the Companies Act 1985 and originally registered in England and Wales on 27 May 2004 as a public limited company under number 5139236. The Existing Issuer was reregistered as a public company on 4 July 2014.

The registered office of the Existing Issuer is The Hub, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ. The Existing Issuer's authorised share capital is £50,000 divided into 50,000 ordinary shares, and its issued share capital is £50,000 divided into 50,000 ordinary shares, all of which have been fully paid up. Affinity Water Limited owns 50,000 shares of the Existing Issuer. The Existing Issuer was established as a special purpose vehicle for the purpose of issuing the Existing Issuer Bonds. The Existing Issuer's auditors are PricewaterhouseCoopers LLP whose address is 40 Clarendon Road, Watford, Hertfordshire, WD17 1JJ. PricewaterhouseCoopers is registered to carry out audit work of the Institute of Chartered Accountants of England and Wales.

Directors and Company Secretary

The directors and company secretary of the Existing Issuer, each of whose business address is, The Hub, Tamblin Way, Hatfield, Hertfordshire, AL10 9EZ are:

Directors:	Keith Haslett
	Adam Stephens
	Michael Osborne
	Roxana Tataru
	Adam Waddington
Company Secretary:	Patrick Makoni (expected to resign in March 2025, with a new Company Secretary appointed)

There are no potential conflicts of interest between any duties to the Existing Issuer of its directors and their private interests or duties, save as may be disclosed in this Prospectus in the relevant director's biography as "Current External Appointments".

The Existing Issuer has no employees nor does it own any physical assets. Administration and treasury functions are conducted on its behalf by AWL.

The Existing Issuer is empowered under its memorandum and articles of association to enter into the proposed transaction documents to which it is a party and its directors have authority under the Existing Issuer's articles of association to exercise that power on its behalf.

CHAPTER 6
REGULATION OF THE WATER INDUSTRY IN ENGLAND AND WALES

Water Regulation Generally

Background

The current structure of the water industry in England and Wales dates from 1989, when the Water Act 1989 was enacted. Before this, as a consequence of the Water Act 1973 there were ten regional public sector Water Authorities supplying water and water recycling services and 29 privately owned statutory water companies supplying water only. Under the Water Act 1989, the functions of the Water Authorities relating to water supply (except in areas where those functions were carried out through statutory water companies) and water recycling services, together with the majority of the Water Authorities' property, rights and liabilities, were transferred to ten companies appointed as water and water recycling undertakers in England and Wales. As at January 2025, Ofwat recognised eleven regional companies providing water and sewerage services, five regional companies providing water services only (following recent consolidation), eleven local companies providing water or sewerage or both (together the "**Regulated Companies**") as well as 39 water supply and/or sewerage licensees offering regulated retail services to non-household customers (some of which only supply a sole principal) and one infrastructure provider.

The provisions of the Water Act 1989 are now contained mainly in the consolidated WIA which itself has been substantially amended by the Water Industry Act 1999, the Water Act 2003, the FWM Act, the Water Act 2014, the Environment Act 2021 and to a lesser extent by various other statutory provisions. References in this section to statutes are to the WIA, as amended, unless otherwise stated. The Water Act 2014 introduced a new, more liberalised market structure (introducing certain differences in the approach between England and Wales), vesting more powers and responsibilities in Ofwat. These included market reform measures intended to increase competition in the water sector. In particular, it introduced a revised water supply licensing regime to open up retail and wholesale competition in relation to the supply to all non-household customers in England. It also facilitates bulk supply agreements and mains connections agreements and revised and extended the rules relating to charges imposed by water undertakers. The Water Act 2014 also strengthened Ofwat's enforcement powers by extending the period of time for which companies are liable to receive financial penalties. Finally, the Water Act 2014 reformed the special water merger regime, by introducing an enhanced discretion on the CMA not to refer water mergers to a second phase investigation and enabling the CMA to accept undertakings in lieu of a reference. Before making such a decision, the CMA must consult with Ofwat. Since this change, a small number of mergers have been considered under the new regime, including the Pennon Group / Bournemouth and West Hampshire merger, the Severn Trent/Dee Valley merger; the Pennon Group / Bristol Water Holdings UK Limited merger and the Pennon Group Plc / Sumisho Osaka Gas Water UK Limited (now Sutton and East Surrey Group Holdings Limited) merger.

The most visible impact of the Water Act 2014 has been the non-household retail market which opened to competition in April 2017. This new market structure provides a choice for occupiers of any (not just large) non-household premises to choose their provider for retail water and sewerage services. These providers, or "water supply and/or sewerage licensees" ("**WSSLS**"), comprise not only the original twelve licensees that served large-use customers before April 2017, but many new entrants. Certain eligible non-household customers can also seek to self-supply their premises.

On 31 October 2016, the Water and Sewerage Undertakers (Exit from Non-household Retail Market) Regulations 2016 entered into force ("**Exit Regulations**"). The Exit Regulations permitted water and sewerage undertakers whose areas are wholly or mainly in England to apply to the Secretary of State for permission to exit the non-household retail market in their area of appointment. Subject to the approval of the Secretary of State, the undertaker would exit the retail market by transferring its non-household retail business to one or more water supply and/or sewerage licensees and would thereafter be prohibited from providing retail services to any new non-household customers that arise in its area of appointment.

The Exit Regulations also introduced provisions that set out how the non-household retail market should operate in an exit area. These in particular ensure that customers in exit areas are never left without a licensee and provide customer protections that are broadly equivalent to those they would have been provided if the undertaker had not exited the retail market.

AWL sought and obtained the consent of the Secretary of State to exit the non-household retail market under the Exit Regulations. On 1 April 2017, AWL exited the non-household retail market and its non-household customers were transferred to Affinity for Business (Retail) Limited (known as Castle Water (Southern) Limited from 3 April 2020), a water supply licensee and associated company of AWL. As at the date of this Prospectus, Castle Water (Southern) Limited is an associated company of Castle Water Limited following the acquisition of Castle Water (Southern) Limited in April 2020. From this date, AWL has continued to provide wholesale supplies of water to water supply licensees that retail water services to non-household consumers in the AWL water supply area.

Regulatory Framework

The activities of Regulated Companies are principally regulated by the provisions of the WIA, the Water Resources Act 1991 and the regulations made under these Acts and the conditions of their instruments of appointment (also referred to as licences). Under the WIA, the Secretary of State for Environment, Food and Rural Affairs has a duty to ensure that at all times there is an appointee for every area of England and Wales. Appointments may be made by the Secretary of State or by Ofwat in accordance with a general authorisation given by the Secretary of State.

Ofwat is the economic regulator for water and sewerage in England and Wales and is responsible for, *inter alia*, setting price controls and monitoring and enforcing licence obligations. Regulated Companies are required by their licences to publish an annual return of financial and non-financial information (the 'annual performance report') to enable Ofwat and other stakeholders to assess their activities.

The two principal quality regulators are the DWI which is appointed by the Secretary of State for DEFRA and the EA. The DWI's principal task is to ensure that Regulated Companies in England and Wales are fulfilling their statutory requirements under the WIA and the Water Quality Regulations for the supply of wholesome drinking water. The DWI is part of DEFRA and acts as a technical assessor on behalf of the Secretary of State in respect of the quality of drinking water supplies. It carries out technical audits of each water undertaker. This includes an assessment (based on information supplied by the company) of the quality of water in each supply zone, arrangements for sampling and analysis, and progress made on achieving compliance with regulatory and EU requirements. The EA was established under the Environment Act 1995 and is responsible, in England, for the protection and improvement of the environment. Its duties include the management and regulation of water abstractions from, and discharges to, controlled waters. Controlled waters include coastal waters, territorial waters extending three miles from shore, inland freshwaters and groundwater.

The description given in this document relates to the structure and regulations that apply in England. Although the structure of the water and water recycling industry is the same in Wales, different regulations sometimes apply. There are different structures and different regulatory frameworks for water and water recycling services in the remainder of the United Kingdom (Scotland and Northern Ireland).

Duties of Ofwat and the Secretary of State

Each of the Secretary of State and Ofwat has a primary duty under the WIA to exercise and perform its powers and duties under the WIA and the Water Act 2014 in the manner it considers best calculated to, *inter alia*:

(a) further the consumer objective - which is to protect the interests of consumers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the provision of water and sewerage services;

(b) secure that the functions of Regulated Companies are properly carried out throughout England and Wales;

(c) secure that Regulated Companies are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of those functions;

(d) secure that the activities authorised by a water supply licence or sewerage licence and any statutory functions imposed on it in consequence of the licence are properly carried out; and

(e) further the resilience objective which is to secure the long-term resilience of water supply and sewerage systems against environmental pressures, population growth and changes in consumer behaviour (together, the "**Primary Duties**").

Subject to the Primary Duties, each of the Secretary of State and Ofwat shall also exercise and perform its powers and duties under the WIA in the manner it considers best calculated to, *inter alia*:

(a) promote economy and efficiency on the part of Regulated Companies;

(b) secure that no undue preference is shown, and that there is no undue discrimination in the fixing by Regulated Companies of water and drainage charges;

(c) secure that no undue preference is shown, and that there is no undue discrimination in the provision of services by Regulated Companies or by water supply licensees or sewerage licensees;

(d) secure that consumers are protected as respects benefits that could be secured for them by the application in a particular manner of any of the proceeds of any disposal (whenever made) of Regulated Companies' protected land or of an interest or right in or over any of that land;

(e) ensure that consumers are also protected as respects any activities of Regulated Companies which are not attributable to the exercise of functions of a relevant undertaker;

(f) to contribute to the achievement of sustainable development,

(together, the "**Secondary Duties**").

The Secretary of State and Ofwat shall also have regard to the principles of best regulatory practice (including the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed).

Since 21 May 2024, Ofwat also has a duty to have regard to the desirability of promoting economic growth. This duty is set out in section 108 of the Deregulation Act 2015.

Instrument of Appointment

General

Under the WIA, each Regulated Company is appointed as a water and/or sewerage undertaker pursuant to an instrument of appointment. Each Regulated Company is regulated through the conditions of its instrument of appointment as well as under the WIA. Each instrument of appointment specifies the geographic area served by the company and imposes a number of conditions on the instrument of appointment holder that relate to limits on charges, information reporting requirements, the provision of information to customers, and other matters. The main provisions of AWL's instrument of appointment are typical of those of other licences. In addition to the conditions regulating price controls (see the section "*– Economic Regulation*" below), each instrument of appointment imposes prohibitions on undue discrimination and undue preference in charging. Other matters covered by conditions in each instrument of appointment include: the provision of information to customers; "ring-fencing" of the appointed business from non-regulated companies; restrictions on disposal of land; asset management plans; the provision of information to Ofwat; and payments to customers for supply interruptions because of drought. Ofwat is responsible for monitoring compliance with the Instrument of Appointment Conditions and, where necessary, enforcing compliance through procedures laid down in the WIA.

The Water Act 2003 introduced forms of instruments of appointment that were required to be held by new entrants on the water supply side of the industry engaged in common carriage or retail activities. Major changes have been introduced under the Water Act 2014. It replaced the regime for licensed water supply with a similar regime of water supply licensing, but also introduced a similar regime for sewerage licensing. Consequently, Ofwat has published and implemented an updated series of changes to all Regulated Companies' licences. Ofwat also introduced a standard form of instrument of appointment for retailers.

Since the implementation of the Water Act 2014, regulation of charging has been increasingly affected by way of charging rules (provided for by statute), rather than by statute itself or Regulated Companies'

instruments of appointment. This has led to an arguably less prescriptive regime that is principles-based, rather than mechanistic.

Termination of an Instrument of Appointment

There are certain circumstances provided for in the WIA under which a Regulated Company could cease to hold an instrument of appointment for all or part of its area:

(a) a Regulated Company could consent to the making of a replacement appointment or variation, which changes its appointed area, in which case Ofwat has the authority to appoint a new holder of the instrument of appointment;

(b) under condition O of an instrument of appointment, where the Secretary of State for the Environment has given the Regulated Company at least 25 years' notice and that period of notice has expired;

(c) under the provisions of the Special Administration regime, the Special Administrator may transfer the business and instrument of appointment to a successor (see the section "*– Special Administration Orders*" below); or

(d) by the granting of a New Appointment or Variation (**"NAV"**) over part of a Regulated Company's existing appointed area to another Regulated Company (see "*– Competition in the Water Industry*" below).

Before making an appointment or variation replacing a Regulated Company, Ofwat or the Secretary of State must consider any representations or objections made by the existing Regulated Company. Where the Secretary of State or Ofwat makes such an appointment or variation, in determining what provision should be made for the fixing of charges by the new Regulated Company, it is the duty of the Secretary of State or Ofwat (as applicable) to ensure, so far as may be consistent with their duties under the WIA, that the interests of the members and creditors of the existing Regulated Company are not unfairly prejudiced as regards the terms on which the new Regulated Company could accept transfers of property, rights and liabilities from the existing Regulated Company.

A NAV can be granted to a company seeking to provide water and/or water recycling services on an unserved site, or to premises using more than 50 megalitres of water within an existing Regulated Company's area, or where the incumbent Regulated Company consents to the variation. NAVs may be granted to any existing or new Regulated Company, but not to a licensed water supplier.

The NAV mechanism continues alongside the non-household retail market, but is quite different in its operation. Whereas water supply and sewerage licensees have no threshold requirements to serve customers and operate solely at the non-household retail level, new appointees operate on the same level as undertakers and can therefore serve household customers within their area of appointment but (if not seeking to supply a previously unserved area) must meet the threshold requirement above.

Modification of an Instrument of Appointment

Regulatory landscape

Conditions of an instrument of appointment may be modified in accordance with the procedures laid down in section 12A of the WIA, as amended by the Environment Act 2021. Subject to a power of veto exercisable in certain circumstances within a certain timeframe in certain circumstances by the Secretary of State, Ofwat may modify the conditions in an instrument of appointment without needing the consent of the Regulated Company concerned. Before making the modifications, the WIA requires Ofwat to publish a notice containing the proposed modifications as part of a consultation process. This notice must be published, and sent to the relevant Regulated Companies, the Secretary of State, the Consumer Council for Water and any person whose function is to represent the Regulated Companies and their interests who are likely to be materially affected by the proposed modifications (a "**Regulated Company Representee**"). This consultation gives the Regulated Companies and the identified third parties not less than forty-two days to make representations in relation to the proposed modifications. Ofwat must consider these representations.

After this period Ofwat must publish the decision and the modifications, state their effect, state the reason for any differences from the modifications set out under the notice and state how Ofwat has taken into account any representation made. The proposed modifications will take effect not less than fifty-six days after the publication of Ofwat's decision to modify, unless Ofwat considers it necessary or expedient for the modification to take place earlier. If Ofwat requires the modification to take place before the fifty-six day time period, Ofwat will need to indicate this in their initial notice, state their justification behind this accelerated time period, and state how it will not have a material adverse effect on any Regulated Company.

Where Ofwat proceeds with a modification under section 12A of the WIA, an appeal can be made to the CMA. This appeal can be made by a Regulated Company whose instrument of appointment is being modified under section 12A, or by another Regulated Company whose interests are materially affected by the modification. Additionally, an appeal can be brought by a Regulated Company Representee, who is materially affected by the modification, or the Consumer Council for Water. The CMA may refuse the appeal where the appeal is being brought by a Regulated Company whose instrument of appointment is not being amended, and the CMA considers that Regulated Company's interests are not materially affected by the modification. A similar refusal mechanism applies to a Regulated Company Representee. In addition, the CMA may refuse an appeal where it is brought for reasons that are trivial or vexatious, or has no reasonable prospect of success.

In determining the appeal, the CMA must have regard to the duties of Ofwat and the Secretary of State, as well as Ofwat's strategic priorities and objectives. These include, furthering the consumer objective, to ensure that the functions of Regulated Companies are properly carried out, and to ensure that Regulated Companies are able to finance the carrying out of those functions. The CMA may allow an appeal only to the extent that it is satisfied that the decision appealed against was wrong on one or more of the following grounds:

(a) that Ofwat failed properly to have regard to its duties, strategic priorities and objectives;

(b) that Ofwat failed to give appropriate weight to its duties, strategic priorities and objectives;

(c) that the decision was based, wholly or partly, on an error of fact;

(d) that the modifications fail to achieve, in whole or in part, the effect stated by Ofwat;

(e) that Ofwat did not follow the required procedure for consulting on the instrument of appointment modification; or

(f) that the decision was otherwise wrong in law.

Should the CMA allow the appeal, it must quash the decision, and/or remit the matter back to Ofwat for reconsideration and determination in accordance with any directions given by the CMA.

It is possible for primary legislation to confer on Ofwat the power to modify the instrument of appointment of a Regulated Company albeit that this is usually a time-limited power and any such modification must usually be made in accordance with, and as a direct consequence of, a provision of such primary legislation. To date this has only occurred in relation to Conditions R and S.

The CMA (and the Secretary of State in certain circumstances) also has, among others, the power to modify the conditions of the Instrument of Appointment after an investigation under its merger or market investigation powers under the Enterprise Act if it concludes that matters investigated in relation to water or sewerage services were anti-competitive or, in certain circumstances, against the public interest.

Recent modifications to and proposals to modify the instrument of appointment

Separate Price Controls

Condition B provides the legal mechanism for the periodic review of price controls, interim price reviews and references to the CMA.

Following a series of modifications to Condition B for price controls, Ofwat is able to set separate price controls for Water Resources Activities and the remaining wholesale activities, known as Network Plus Water Activities. The Network Plus price controls must adopt the form of price control previously used for

wholesale activities i.e. a limit, in the form of CPIH plus or minus K, on the revenue allowed to the regulated business. Controls for Water Resources Activities must include an annual adjustment to reflect any percentage change in CPIH, but Ofwat is otherwise free to determine the form of the control. Price controls for Network Plus and Water Resources Activities are required to be set for consecutive periods of 5 years.

In respect of household retail prices, Ofwat may set multiple controls, which need not be linked to indexation and may be set for different periods of up to a maximum of five years.

Removal of developer-led activities from the Price Control

The meaning of "Network Plus Activities" within the licence is being re-defined and will affect the relevant price controls from 1 April 2025. As a consequence, most developer-led activities, such as providing new connections and water mains will not be included in the price control. This means that there will no longer be any cross subsidy (in either direction) between these activities and Regulated Companies' other activities, so that profits and losses are reflected in the "bottom line". Because these activities are chiefly operating within a competitive market (where "self-lay" providers also operate), this change strengthens the operation of that market. This change was effected by a modification to Condition B in April 2024.

Modification on undue discrimination/preference and use of information provisions

In November 2018, Condition E was modified to: (i) prohibit Regulated Companies from showing undue preference towards or undue discrimination against themselves, other Regulated Companies, water supply and licensees or unlicensed third parties in relation to the provision of certain water services; and (ii) place restrictions on the circumstances in which Regulated Companies can externally disclose or internally use information they were provided with in relation to the submission of bids to provide certain services or agreements for the adoption of infrastructure. The modifications were intended to facilitate the development of new wholesale markets, the NAV market and the self-lay market by removing any unfair commercial advantages and ensuring a level playing field for new entrants.

Mandatory transparency and governance objectives

Ofwat first introduced its board leadership, transparency and governance principles in 2014 and, following consultation, updated them in January 2019. In August 2019, following a consultation, Ofwat implemented licence modifications to require Regulated Companies to meet the objectives on board leadership, transparency and governance (which were set out in the Instrument of Appointment) and to explain how they are meeting those objectives. The objectives as set out in Condition P of the Instrument of Appointment are: (i) that the board of the Regulated Company establishes the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it services, (ii) that the Regulated Company has an effective board with full responsibility for all aspects of the Regulated Company's business for the long term; (iii) that the board's leadership and approach to transparency and governance engenders trust in the Regulated Company and ensures accountability for their actions; and (iv) that the board and its committees are competent, well run, and have sufficient independent membership.

New Appointments and Variations (NAVs)

Whenever a NAV is granted the licence of the incumbent company is formally amended to either exclude the area which is henceforth to be served by another company or to extend the incumbent's area of supply. For example, in 2015 an amendment was made to exclude the Martello Lakes site in Hythe to Independent Water Networks Ltd (IWNL) via a NAV.

Ring-fencing

In July 2020 Ofwat introduced modifications designed to harmonise the ring-fencing provisions in Regulated Companies' licences. The modifications included:

a) technical modifications to the treatment of credit ratings;

b) a new obligation to inform Ofwat as soon as possible if AWL's Board becomes aware of arrangements in progress that may lead to a change of Ultimate Controller;

c) a new obligation to enforce Ultimate Controller undertakings given to AWL if Ofwat so directs;

d) a new obligation to inform Ofwat if AWL's Board becomes aware of any circumstance that may materially affect its ability to carry out the regulated business; and

e) requiring AWL to maintain at all times an investment grade issuer credit rating.

In March 2023, Ofwat made modifications to further strengthen the ring-fencing licence conditions of the largest undertakers. The changes include (i) modifying the cash lock-up licence condition to raise the cash lock-up trigger to BBB/Baa2 with negative outlook, effective from 1 April 2025; (ii) modifying the dividend policy licence condition to require that dividend policies and dividends declared or paid should take account of service delivery for customers and the environment over time, current and future investment needs and financial resilience over the long term (which became effective on 17 May 2023); (iii) requiring companies to notify Ofwat about any changes to credit ratings (including changes in rating and/or outlook, new ratings assigned or planned rating withdrawals), with reasons for the change, where applicable; and (iv) requiring water companies to maintain investment grade issuer credit ratings with at least two credit rating agencies.

Fee

Regulated Companies are required to pay licence fees to Ofwat. Condition N of the licences set a cap on the level of these fees. In October 2022, Ofwat modified the regulation fee cap in order to ensure that the budget agreed with His Majesty's Treasury could be funded.

Customer Condition

In February 2024, Ofwat introduced a customer-focused condition in each water company's licence. This condition provides a clear regulatory basis for the requirement for companies to treat customers fairly, including by providing support to customers in vulnerable circumstances. It introduces a number of customer care principles – proactivity in communications, ease of contact, appropriate support when things go wrong (especially for vulnerable customers and those struggling to pay or in debt), and learning from past experiences. Regulated Companies are expected to have appropriate policies in place and to follow them, as well as explaining how it is meeting the above principles. The former customer code condition was repealed.

Direct Procurement for Customers

DPC involves a water company competitively tendering for services in relation to the delivery of certain large infrastructure projects, resulting in the selection of a third-party competitively-appointed provider ("**CAP**"). DPC will result in water companies competitively procuring more aspects of an infrastructure project, including financing for such project, and was initially aimed at infrastructure projects of a discrete nature involving total expenditure in excess of £100 million. For PR24, DPC will apply by default for all discrete projects above a size threshold of £200m whole life Totex and Ofwat will reserve the right to explore the use of DPC for major projects below this size threshold where it may offer value for money for customers to do so.

With effect from 1 February 2021, changes were made to AWL's Instrument of Appointment to bring this option into effect, which include:

a) a new condition under AWL's Instrument of Appointment (being "**Condition U**") which established the framework for the regulation of DPC projects. Amongst other things, Condition U specified the process which AWL must follow in carrying out a DPC procurement. Importantly, AWL's consent is required to designate any of its proposed projects a DPC project;

b) allowing AWL to recover from its customers, outside of price controls, the designated charges that AWL would be obliged to pay to the CAP for services to deliver the project pursuant to a DPC Allowed Revenue Direction issued by Ofwat; and

c) an amendment to the interim determination provisions in Condition B. This facilitates, in specified circumstances, the return of the project to delivery by AWL rather than by the CAP, and has a low materiality threshold, being the lesser of £10 million or 2 per cent. of the turnover attributable to AWL's Appointed Business in the previous financial year.

Levels of service reporting

In December 2023, Ofwat deleted Condition J from water companies' licences (including AWL). Condition J required AWL to report to Ofwat annually on levels of service, based on a 1989 letter from the Secretary of State. Ofwat justified deletion of Condition J on the basis that the powers provided by Condition J were already granted by other conditions elsewhere in the licences.

Excluded charges

In August 2023, Ofwat launched a consultation on its proposal to modify the definition of "Excluded Charges" in Condition B: Charges in the Instruments of Appointment (licences) of the 16 largest appointed water companies in England and Wales (including AWL). The consultation closed in October 2023. and a decision was published in April 2024 to modify Condition B to exclude amounts or charges payable to water companies for specified developer services. The effect of these changes will be to exclude the revenue for these activities (including amounts payable for reasonable administrative expenses and other overheads) from the scope of the network plus price controls that will be set for the period from 1 April 2025 to 31 March 2030.

Water Supply

Water supplied for domestic purposes or food production purposes must be wholesome at the time of supply, which entails compliance with the Water Supply (Water Quality) Regulations 2016 (the "**Water Quality Regulations**"). As of 11 July 2018, the Water Quality Regulations were amended by the Water Supply (Water Quality) (Amendment) Regulations 2018, in order to bring them in line with changes made to the Drinking Water Directive (Council Directive 98/83/EC). In certain circumstances, the standards set in the regulations have been relaxed. Where standards or relaxed standards are not being met, the Secretary of State is under a duty to take enforcement action against the supplier. However, Regulated Companies may submit undertakings, Regulation 28 Notices or apply for an authorised departure to the Secretary of State detailing steps designed to secure or facilitate compliance with those standards. The Secretary of State is not required to take enforcement action for breaches of the Water Quality Regulations if satisfied with the undertakings, or if satisfied that the breaches are of a trivial nature, or if general duties preclude taking enforcement action. The Secretary of State has stated that, except in certain very limited circumstances, it is unlikely that enforcement action will be taken against Regulated Companies which are complying with the terms of their undertakings or Notices. Under the WIA, it is a criminal offence for a Regulated Company to supply water which is unfit for human consumption.

On 6 July 2016, the EU Parliament adopted the Directive on security of network and information systems (the "**NIS Directive**"). The NIS Directive provides legal measures to protect essential services and infrastructure by improving the security of Network and Information systems. The Government implemented the NIS Directive through the NIS Regulations 2018 (the "**NIS Regulations**"), which came into force on 19 May 2018. The DWI is the competent authority for the purposes of the NIS Regulations. Drinking water supply and distribution has been designated as an essential service for the purposes of the NIS Regulations and AWL, as a supplier of potable water to 200,000 or more people, will be required to comply with its requirements as an "Operator of Essential Services". In sum, operators of essential services are required to notify the DWI of any incident that has affected the network and information systems which has had a significant impact on the continuity of the essential service. This will include occurrences where the operator of essential services has identified any interference with electronic systems, operational technology or information technology which has impacted on the supply, quality or sufficiency of water. As at the date of this Prospectus, AWL has not made such a notification to the DWI.

Enforcement Powers

The general duties of Regulated Companies as water or wastewater undertakers are enforceable by the Secretary of State or Ofwat or both. The Instrument of Appointment Conditions (and other duties) are enforceable by Ofwat alone whilst other duties, including those relating to water quality, are enforceable by the DWI. Other duties, such as those in respect of water abstractions and discharges, are enforceable by the EA.

The UK water and water recycling industry is facing unprecedented levels of scrutiny from a wide range of stakeholders, including governments and regulators, NGOs, local communities, and other stakeholders. There is heightened focus on the environmental performance and compliance status of the industry as a whole. Stakeholder groups are increasingly calling for greater regulatory enforcement action to be taken, and the EA has indicated it intends to pursue more aggressive enforcement action including against

directors of water companies. On 24 February 2025, a new Water Act 2025 came into force. The Water Act 2025 establishes new rules on water company remuneration and governance; strengthen customer involvement in water company decision-making; and introduce additional sanctions for impeding investigations and certain other offences. This environment could result in an increase in enforcement activity and third-party claims leading to substantial fines and compensation payments as well as requirements to invest in infrastructure and increased operating costs. Additionally, the Water Act 2025 provides for the implementation of certain measures through secondary legislation which means that the full detail of the proposed rules may not yet be known for some time. The Water Act 2025 has potentially broad implications for water undertakers such as AWL and in particular for WASCs.

The EA has also increased its efforts to identify non-compliance with water regulation. So far, it has delivered around 1,500 inspections for the first two quarters of 2024/2025 (compared to 2023/2024, where the number of total inspections for the whole was 1,382). It aims to increase water company inspections to 4,000 by the end of March 2025, 10,000 in 2025/2026 and 11,500 in 2026/2027. The EA hopes to increase its inspection and audit work substantially to uncover non-compliance.

Where the Secretary of State (via the DWI) or Ofwat is satisfied that a Regulated Company is contravening, or has contravened and is likely to do so again, or is likely to contravene, a condition of its instrument of appointment or a relevant statutory or other requirement, either the Secretary of State or Ofwat (whichever is the appropriate enforcement authority) must make a final Enforcement Order to secure compliance with that condition or requirement, save that, where it appears to the Secretary of State or Ofwat that it would be more appropriate to make a provisional Enforcement Order, that party may do so. In determining whether a provisional Enforcement Order should be made, the Secretary of State or Ofwat shall have regard to the extent to which any person is likely to sustain loss or damage as a consequence of such breach before a final Enforcement Order is made. The Secretary of State or Ofwat will confirm a provisional Enforcement Order if satisfied that the provision made by the order is needed to ensure compliance with the condition or requirement that has been breached. There are exemptions from the Secretary of State's and Ofwat's duty to make an Enforcement Order or to confirm a provisional Enforcement Order where:

(a) the contraventions were, or the apprehended contraventions are, of a trivial nature;

(b) the company has given, and is complying with, a Section 19 Undertaking to secure or facilitate compliance with the condition or requirement in question;

(c) duties in the WIA preclude the making or confirmation of the order; or

(d) where it would be more appropriate to proceed under the Competition Act.

Undertakings under section 19 of the WIA create obligations that are capable of direct enforcement by the Secretary of State or by Ofwat (with the consent or authorisation of the Secretary of State) under section 18 of the WIA. Accordingly, the main implication of a Regulated Company assuming such an undertaking is that any future breach of the specific commitments contained in the undertaking is enforceable in its own right (without the need for further grounding on general statutory or instrument of appointment provisions).

The WIA also confers powers on Ofwat or the Secretary of State to impose financial penalties on Regulated Companies and the licensees introduced by the Water Act 2003, as amended by the Water Act 2014. In certain circumstances, Ofwat and the Secretary of State for the Environment have the power to fine such a company up to 10 per cent. (for each respective breach) of its turnover in the preceding 12 months if it has failed or is continuing to fail to comply with the conditions in its instrument of appointment, standards of performance or other obligations. The penalty must also be reasonable in all the circumstances. A penalty may not be imposed later than five years from the contravention or failure except when a notice under section 22A (4) of the WIA (indicating the amount of the proposed penalty and the circumstances giving rise to a penalty) or under section 203(2) of the WIA (requiring the Regulated Company to provide information in relation to the contravention or failure) is served during that period. Where a final or provisional order has been made in respect of a contravention or failure, a penalty cannot be imposed unless a notice under section 22A(4) is served within 3 months of the final order or confirmation of the provisional order, or within 6 months of the provisional order if it is not confirmed.

As at the date of this Prospectus, neither Ofwat nor the Secretary of State for the Environment has imposed any such financial penalties on AWL.

Ofwat consulted on its updated enforcement strategy on 23 March 2016. Ofwat reported that "having reviewed the consultation responses received, on balance, Ofwat has not made any major revisions to the guidance document at this point in time". On the back of this consultation, Ofwat published its updated enforcement strategy in January 2017. Ofwat's stated strategy is based on a risk-based approach to enforcement. It aims to be a regulator which is more outcomes and relationships focused. Ofwat stated that although it is willing to use all powers vested in it under relevant legislation to secure compliance, where it finds that a company has breached its licence or a statutory obligation, it may consider not opening a formal enforcement case if the company has taken appropriate steps to provide redress to customers or it may start formal proceedings but agree to reduce the penalty. Some contraventions (i.e. misreporting or causing harm to customers) will automatically result in enforcement action and in some instances, significant financial penalties.

The Water Act 2025 introduces further obligations for WASCs in relation to sewage discharges and emergency overflows (not relevant to AWL), which will be enforceable, as well as provisions on sanctions for impeding investigations, civil penalties and automatic penalties for certain offences.

Special Administration Orders

(a) *Circumstances*

The WIA contains provisions enabling the Secretary of State, or Ofwat with the consent of the Secretary of State, to secure the general continuity of water supply and sewerage services. In certain specified circumstances, the Court may, on the application of the Secretary of State or, with his consent, Ofwat, make a Special Administration Order in relation to a Regulated Company and appoint a Special Administrator. These circumstances include:

(i) where there has been, or is likely to be, a breach by a Regulated Company of its principal duties to supply water or of a final or confirmed provisional Enforcement Order and, in either case, the breach is serious enough to make it inappropriate for the Regulated Company to continue to hold its instrument of appointment;

(ii) where the Regulated Company is, or is likely to be, unable to pay its debts;

(iii) where, in a case in which the Secretary of State has certified that it would be appropriate, but for section 25 of the WIA, for them to petition for the winding-up of the Regulated Company under section 124A of the Insolvency Act, it would be just and equitable, as mentioned in that section, for the Regulated Company to be wound up if it did not hold an instrument of appointment; and

(iv) where the Regulated Company is unable or unwilling to adequately participate in arrangements certified by the Secretary of State or Ofwat to be necessary by reason of, or in connection with, the appointment of a new Regulated Company upon termination or variation of the existing Regulated Company's instrument of appointment.

In addition, on an application being made to Court, whether by the Regulated Company itself or by its directors, creditors or contributories, for the compulsory winding-up of the Regulated Company, the Court would not be entitled to make a winding-up order. However, if satisfied that it would be appropriate to make such an order if the Regulated Company were not a company holding an instrument of appointment, the Court shall instead make a Special Administration Order.

(b) *Special Administration Petition Period*

During the period beginning with the presentation of the petition for Special Administration and ending with the making of a Special Administration Order or the dismissal of the petition (the "**Special Administration Petition Period**"), the Regulated Company may not be wound up, no steps may be taken to enforce any security except with the leave of the Court and, subject to such terms as the Court may impose, no other proceedings or other legal process may be commenced or continued against the Regulated Company or its property except with the leave of the Court.

Once a Special Administration Order has been made, any petition presented for the winding-up of the company will be dismissed and any receiver appointed, removed. Whilst a Special

Administration Order is in force, those restrictions imposed during the Special Administration Petition Period continue.

(c) *Special Administrator powers and the Transfer Scheme*

Special Administrators have extensive powers similar to those of administrators under the Insolvency Act, but with certain important differences. They are appointed only for the purposes of (i) transferring to one or more different Regulated Companies as a going concern, so much of the business of the Regulated Company as is necessary to ensure that the functions which have been vested in the Regulated Company by virtue of its licence are properly carried out; and (ii) pending the transfer, the carrying out of those functions. During the period of the order, the Regulated Company is managed for the achievement of the purposes of the order and in a manner which protects the respective interests of members and creditors. However, the effect of other provisions of the WIA is ultimately to subordinate members' and creditors' rights to the achievement of the purposes of the Special Administration Order.

Were a Special Administration Order to be made, it is for the Special Administrator to agree to the terms of the transfer on behalf of the existing Regulated Company, subject to the provisions of the WIA. The transfer scheme may provide for the transfer of the property, rights and liabilities of the existing Regulated Company to the new Regulated Company(ies) and may also provide for the transfer of the existing Regulated Company's instrument of appointment (with modifications as set out in the transfer scheme) to the new Regulated Company(ies). The powers of a Special Administrator include, as part of a transfer scheme, the ability to make modifications to the instrument of appointment of the existing Regulated Company, subject to the approval of the Secretary of State or Ofwat, as well as the power to exercise any right the Regulated Company may have to seek a review by Ofwat of the Regulated Company's charges pursuant to an Interim Determination or a Shipwreck Clause. To take effect, the transfer scheme must be approved by the Secretary of State or Ofwat. In addition, the Secretary of State and Ofwat may modify a transfer scheme before approving it or at any time afterwards with the consent of the Special Administrator and each new Regulated Company.

The WIA also grants the Secretary of State, with the approval of His Majesty's Treasury, the powers: (i) to make appropriate grants or loans to achieve the purposes of the Special Administration Order and to indemnify the Special Administrator against losses or damages sustained in connection with the carrying out of his functions; and (ii) to guarantee the payment of principal or interest and the discharge of any other financial obligations in connection with any borrowings of the Regulated Company subject to a Special Administration Order.

The FWM Act (see "– *Competition in the Water Industry – General*" below) introduced amendments to the special administration regime in the WIA to bring it in line with modern insolvency practice in unregulated industries. The FWM Act also streamlined the procedures for transferring a failing company to new owners. The changes enable the Special Administrator to pursue the goal of rescuing the Regulated Company as a going concern if this is reasonably practicable. Some of these provisions are in force as of 12 January 2024 and 15 March 2024 by virtue of the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 and Flood and Water Management Act 2010 (Commencement No. 11) Order 2024, as further described below (see "– *Updates to the Special Administration Regime*" below).

In its updated approach to enforcement dated 9 January 2017, Ofwat has confirmed that, as at the beginning of 2016, neither the Secretary of State nor Ofwat have needed to apply to the Court for such a special administration order.

(d) *Updates to the Special Administration Regime*

On 12 January 2024 the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 came into force. On 22 January 2024, the Water Industry Act 1991 (Amendment) Order 2024 and Water Industry (Special Administration) Regulations 2024 (together, the "**WISAR Regulations**") were laid before parliament in draft form. The WISAR Regulations subsequently came into force on 23 February 2024.

The Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 brings into force certain changes which were made or envisaged by Schedule 5 of FWM Act and the Corporate Insolvency and Governance Act 2020, but which have laid dormant on the statute book until now. Key changes which are in force as of 12 January 2024 include:

(a) updating the statutory objectives of the regime where it is commenced on the grounds of insolvency to include as a primary objective the "rescue of the company as a going concern" and providing that in such circumstances the existing going concern transfer objective only applies if the Special Administrator thinks that: (a) it is not likely to be possible to achieve the rescue objective; or (b) transfer is more likely to secure more effective performance of the functions or activities of the water undertaker;

(b) the ability to utilise the existing transfer scheme by way of a 'hive down', whereby a going concern transfer may be effected by transferring all or part of the company's undertaking to a wholly-owned subsidiary and then transferring the shares in that subsidiary to another company; and

(c) the ability for a Special Administrator to propose a company voluntary arrangement under the Insolvency Act or a scheme of arrangement or restructuring plan under the Companies Act 2006 in furtherance of the priority rescue objective.

The Flood and Water Management Act 2010 (Commencement No. 11) Order 2024 brings into force, as of 15 March 2024, section 34 (special administration) so far as it relates to paragraph 6 of Schedule 5, and paragraph 6 of Schedule 5 (special administration). The effect of these provisions is to set out that Schedule B1 to the Insolvency Act 1986 (administration) applies to special administration, subject to regulations that may be issued by the Secretary of State applying, disapplying, or modifying insolvency provisions or making provisions similar to, and in place of, an insolvency provision.

Key changes of the WISAR Regulations, now in force as of 23 February 2024, include:

(a) the application of a modified form of the "new" style administration law under Schedule B1 to the Insolvency Act 1986, as opposed to the current position which applies a modified form of the "old" administration regime under the pre-September 2003 version of the Insolvency Act 1986, which was in force prior to the significant overhaul and modernisation of the administration regime introduced by the Enterprise Act;

(b) a number of proposed changes to the Insolvency Act 1986 and the Companies Act 2006 to give DEFRA and Ofwat enhanced oversight where company voluntary arrangements, schemes of arrangement or restructuring plans (as applicable) are used;

(c) an express prohibition on Special Administrators disposing of Protected Land without the consent of the Secretary of State;

(d) providing for the ranking of expenses and HM Treasury funding, HM Treasury loans, grants guarantees or indemnities rateably with other liabilities arising under contracts entered into by the Special Administrator and in priority to remuneration and expenses of the Special Administrator;

(e) updates to the ability to challenge the conduct of a Special Administrator such that, in addition to creditors and members, the Secretary of State or Ofwat will also be able to apply to the court, on certain grounds and in certain circumstances, to challenge the conduct of a Special Administrator. This includes standalone rights for the Secretary of State or Ofwat to challenge conduct (or proposed conduct) of the Special Administrator that is contrary to the conditions of the company's instrument of appointment or other statutory requirements imposed on water companies, alongside updates to provide that the court cannot grant a remedy in respect of a challenge made by creditors or members unless the Secretary of State and Ofwat have been given a reasonable opportunity to make representations. Changes are also made to bring the challenge provisions broadly in line, with modifications, with the equivalent provisions under Schedule B1 to the Insolvency Act; and

(f) including clarity as to the options available for ending the Special Administration (e.g. via a creditors' voluntary liquidation, dissolution or court application) broadly by the Special Administrator with the consent of the Secretary of State or Ofwat or, in relation to the court route only, on the application of the Secretary of State or Ofwat.

On 19 March 2024, the Water Industry (Special Administration) (England and Wales) Rules 2024 came into force. The key change in this respect relate to applying a modified form of the Insolvency (England and Wales) Rules 2016 to the Special Administration regime, thereby displacing the "old" style Water Industry (Special Administration) Rules 2009 that had hitherto applied, so as to bring the insolvency rules that apply to the Special Administration regime up-to-date with those that apply in the ordinary administration context (subject to applicable modifications).

The Water Act 2025 enables the Secretary of State / Welsh Ministers to modify a water company's licence to modify the charges it imposes to raise such amounts as may be determined by or under the licence conditions, and to pay the amounts so raised to the Secretary of State / Welsh Ministers for the purpose of making good any loss incurred by the Secretary of State / Welsh Ministers in the giving of financial assistance in connection with a special administration order. The Water Act 2025 also introduces changes to the WIA91 provisions on winding-up petitions.

Protected Land

Under the WIA, there is a prohibition on Regulated Companies disposing of any of their Protected Land except with the specific consent of, or in accordance with a general authorisation given by, the Secretary of State. A consent or authorisation may be given on such conditions as the Secretary of State considers appropriate. For the purpose of these provisions, disposal includes the creation of any interest (including leases, licences, mortgages, easements and wayleaves) in or any right over land, and includes the creation of a charge. Condition K of AWL's Instrument of Appointment sets a threshold of £1 million for requiring permission from Ofwat to dispose of Protected Land or £500,000 in respect of a disposal to an associated company. All land disposals are reported to Ofwat in the annual return.

Protected Land comprises any land, or any interest or right in or over any land, which:

(a) was transferred to a water and sewerage company (under the provisions of the Water Act 1989) on 1 September 1989, or was held by a water only company at any time during the financial year 1989/90;

(b) is, or has at any time on or after 1 September 1989, been held by a company for purposes connected with the carrying out of its regulated water or sewerage functions; or

(c) has been transferred to a company in accordance with a scheme under Schedule 2 to the WIA from another company, in relation to which the land was Protected Land when the transferring company held an appointment as a water or sewerage undertaker.

Unless a specific consent is obtained from the Secretary of State, all disposals of Protected Land must comply with Condition K of the instruments of appointment of Regulated Companies. This condition seeks to ensure (i) that, in disposing of Protected Land, the Regulated Company retains sufficient rights and assets to enable a Special Administrator to run its business if a Special Administration Order was made (ii) that the best price is received from such disposals of land so as to secure benefits to customers through the application of the proceeds of such disposals to reduce charges as provided in, and subject to the provisions of, the price control Condition B. To this end there are certain procedures for and restrictions on the disposal of Protected Land and special rules apply to disposals by auction or formal tender and to disposals to certain associated companies. These include a restriction on the disposal (except with the consent of Ofwat) of Protected Land required for carrying out the Appointed Business. In addition, Ofwat can impose conditions on disposals of Protected Land including conditions relating to the manner in which the proceeds of a sale are to be used.

Given the purposes of the WIA (in particular, the purposes of the Special Administration regime and the restrictions on enforcement of security thereunder) and of Condition K of its instrument of appointment, a Regulated Company would not expect to obtain, and has not obtained, the consent of the Secretary of State or Ofwat to the creation of any security (including the Security) over its Protected Land. Neither has AWL created any security over its Protected Land.

Security

Restrictions on the granting of Security

A Regulated Company's ability to grant security over its assets and the enforcement of such security are restricted by the provisions of the WIA and its instrument of appointment. For example, both the WIA and the instrument of appointment restrict a Regulated Company's ability to dispose of Protected Land (as explained in the section "*– Protected Land*" above). Accordingly, the instrument of appointment restricts a Regulated Company's ability to dispose of interests in (or create a charge or mortgage over) Protected Land.

In addition, Condition P of AWL's Instrument of Appointment requires it at all times:

(a) to ensure, so far as is reasonably practicable, that if a Special Administration Order were made in respect of it, it would have sufficient rights and resources (other than financial resources) to enable the Special Administrator to manage its affairs, business and property so that the purpose of such an order could be achieved; and

(b) to act in the manner best calculated to ensure that it has adequate: (a) financial resources and facilities; and (b) management resources, and (iii) systems of planning and internal control to enable it to secure the carrying out of its licensed activities including the investment programme necessary to fulfil its licence obligations. These requirements must not be dependent upon the discharge by any other person of any obligation under or arising from any agreement or arrangement under which that other person has agreed to provide any services to the Regulated Company in its capacity as the Regulated Company.

These provisions have the indirect effect of further limiting the ability of a Regulated Company to grant security over its assets, in particular assets required for carrying out the Appointed Business, and by limiting in practice the ability to enforce such security.

Restrictions on the enforcement of Security

Under the WIA, the enforcement of security given by a Regulated Company in respect of its assets is prohibited unless the person enforcing the security has first given 14 days' notice to both the Secretary of State and Ofwat. If a petition for Special Administration has been presented, leave of the Court is required before such security is enforceable or any administrative receiver can be appointed (or, if an administrative receiver has been appointed between the expiry of the required notice period and presentation of the petition, before the administrative receiver can continue to carry out his functions). These restrictions continue once a Special Administration Order is in force with some modification (see the section "*– Special Administration Orders*" above).

Once a Special Administrator has been appointed, they would have the power to deal with property charged pursuant to a floating charge as if it were not so charged. When such property is disposed of under this power, the proceeds of the disposal must, however, be treated as if subject to a floating charge which has the same priority as that afforded by the original floating charge.

A disposal by a Special Administrator of any property secured by a fixed charge given by the Regulated Company can be made only under an order of the Court unless the creditor in respect of whom such security is granted otherwise agrees to such disposal. Such an order may be made if, following an application by the Special Administrator, the Court is satisfied that the disposal would be likely to promote one or more of the purposes for which the order was made. However, the Special Administrator is subject to the general duty to manage the company in a manner which protects the respective interests of the creditors and members of the Regulated Company. Upon such disposal, the proceeds to which creditors are entitled are determined by reference to the "best price which is reasonably available on a sale which is consistent with the purposes of the Special Administration Order" (as opposed to an amount not less than "open market value" which would apply in a conventional administration for a non-Regulated Company under the Insolvency Act).

Within three months of the making of a Special Administration Order (or such longer period as the Court may allow), the Special Administrator must send a copy of his or her proposals for achieving the purposes of the order to, *inter alios*, the Secretary of State, Ofwat and the creditors of the company. The creditors' approval of the Special Administrator's proposal is not required at any specially convened meeting (unlike with a conventional administration under the Insolvency Act). The interests of creditors and members in a Special Administration are still capable of being protected since they have the right to apply to the Court if

they consider that their interests are being prejudiced. Such an application may be made by the creditors or members by petition for an order on a number of grounds, including either: (i) that the Regulated Company's affairs, business and property are being or have been managed by the Special Administrator in a manner which is unfairly prejudicial to the interests of its creditors or members; or (ii) that any actual or proposed act of the Special Administrator is or would be prejudicial. Except as mentioned below, the Court may make such order as it thinks fit, and any order made by the Court may include an order to require the Special Administrator to refrain from doing or continuing an act about which there has been a complaint. The exception referred to above is that the Court may not make an order which would prejudice or prevent the achievement of the purposes of the Special Administration Order.

Enforcement of Security over Shares in Regulated Companies

Under the WIA, the enforcement of security over and subsequent sale of shares in a Regulated Company will not be subject to the restrictions described above in relation to the security over a Regulated Company's business and assets. Notwithstanding this, given Ofwat's general duties under the WIA to exercise and perform its powers and duties, *inter alia*, to ensure that the functions of a Regulated Company are properly carried out, the expectation is that any intended enforcement either directly or indirectly of security over, and subsequently any planned disposal of, the shares in a Regulated Company to a third party purchaser would in practice require consultation with Ofwat. In addition, depending on the circumstances, the merger control rules and the National Security and Investment Act 2021 could apply in respect of any such disposal.

Economic Regulation

Overview

Economic regulation of the water industry in England and Wales is based on a system of periodic revenue controls imposed on the amounts Regulated Companies can collect from their customers. This is intended to reward companies for efficiency and quality of service to customers. The system is intended generally to allow companies to retain a share of any savings attributable to efficiency, thus creating incentives to make such gains. The length of the price control period is reviewed periodically and could be changed in future. Furthermore, the length of the price control period may differ between controls.

Price controls

The main instrument of economic regulation is the price controls determined by Ofwat in accordance with the conditions of the licences. These control the total revenue companies can recover from customers via bills for water supply and water recycling services. Certain charges are not included in the price control formula but are determined on an individual basis.

Price control periods have to date been periods of five years, normally beginning on the first day in April in years ending in 0 or 5 and end on the last day of March 5 years later. The price controls for the current period (2025 to 2030, referred to as AMP8) were set at the end of 2024 to take effect on 1 April 2025, commonly referred to as Price Review 24 or PR24.

Ofwat published the PR24 FD on 19 December 2024. On 17 February 2025 AWL announced its acceptance of the PR24 price determination, describing it as a comprehensive investment programme designed to ensure the long-term sustainability, resilience, and affordability of AWL water services for the diverse communities it serves.

The approved business plan prioritises significant investment in the following key areas:

(a) **Enhancing Water Quality**: Further enhancing the provision of high-quality drinking water for AWL's customers through investment in water treatment facilities and strategic distribution network.

(b) **Leakage Reduction**: Delivering a significant reduction in leakage across AWL's network, utilising advanced detection technologies and innovative infrastructure solutions.

(c) **Water Efficiency**: Supporting customers to reduce water consumption through tailored advice, education programmes, and smart metering initiatives.

(d) **Resilience to Climate Change**: Strengthening AWL's infrastructure to adapt to the challenges posed by climate change, including enhanced flood protection and drought preparedness measures.

(e) **Environmental Improvements**: Enhancing biodiversity and improving water quality in rivers and catchments through targeted environmental schemes and partnerships.

(f) **Customer Experience**: Continuing to innovate and improve AWL's service delivery to meet the expectations of its customers, including faster response times, digital service enhancements, affordable bills, and extending its social tariff.

(g) **Maintaining Asset Health and Resilience**: Ensuring the ongoing reliability and efficiency of AWL's infrastructure through proactive maintenance and long-term investment in asset resilience.

On 17 February 2025 AWL also announced a legally binding and unconditional commitment by its shareholders to inject £150 million equity before 31 March 2026 to support the delivery of its investment programme.

Expenditure

Ofwat have set AWL a total expenditure allowance of £2.3 billion in the 2025-30 period. This is more than AWL's allowance for 2020-25, which was £1.9 billion. The increased allowance reflects an increase in the size of the water industry national environment programme, expenditure on water supply/demand balance, water quality, increased resilience, improved asset health, and improved services to customers.

The total expenditure allowance includes £1.7 billion for AWL to run the business from day-to-day, operating and maintaining the company's assets (also known as base expenditure allowances). It also includes £679 million for AWL to deliver the enhancement schemes it proposed in its plan, which include:

(a) **Water framework directive**: £135 million to deliver water framework directive and £68 million for developing complex interconnectors that will address abstraction issues and the delivery and transfer of water through its network as part of the "Connect 2050" programme.

(b) **£245 million on raw water deterioration**: £150 million planned expenditure during 2025-30. The remainder is subject to a potential increase in expenditure via an uncertainty mechanism.

(c) **Smart metering**: £58 million to increase smart metering programme and install meters across the network over the 2025-30 price control period.

For major projects over £200 million in whole life total expenditure, Ofwat requires companies to put large infrastructure projects out to competitive tender where the proposed infrastructure is discrete and separable from the company's network. Ofwat consider that development of major infrastructure by competitively appointed third parties is expected to achieve significant benefits for customers. These benefits include both innovation and potentially lower whole life costs of the project while maintaining quality. Those major projects which are suitable for competitive delivery will be delivered by a competitively appointed third party under either Ofwat's DPC model or under Specified Infrastructure Projects regulations (SIPR).

Ofwat set allowances in the price review for the efficient costs related to the company's pre-construction development of these projects, which comprise the project development costs and the cost of developing the project for competitive delivery.

Ofwat have allowed £66 million expenditure to progress development of these projects, which include:

(a) **Minworth Strategic resource option**: In partnership with Severn Trent Water, this will provide the sole source of raw water to the Grand Union Canal Transfer Scheme so water can be transferred from Severn Trent Water to AWL's area. This scheme will no longer be delivered by a third party, instead it will be delivered by Severn Trent Water. AWL's total allowance for 2025-30 for developing this project is £5 million.

(b) **Grand Union Canal**: A strategic water transfer scheme in partnership with Severn Trent Water and the Canal & River Trust, this scheme aims to use the existing canal infrastructure to transfer treated wastewater from Minworth Water Recycling Strategic Resource Option in the Midlands to

AWL's region. The total allowance for 2025-30 for developing this project is £19 million. The estimated whole life total cost of delivering the project is £1.5 billion.

(c) **South-East strategic resource option ("SESRO") reservoir**: In partnership with Thames Water and Southern Water, AWL will build SESRO reservoir to supply customers of AWL, Southern Water and Thames Water in periods of low flows on the River Thames. A third party will be used to deliver the project. The total allowance for 2025-30 for developing this project is £36 million. The estimated whole life total cost of delivering the project is £7.5 billion.

(d) **The Thames to Affinity Transfer**: Thames Water provides the source of raw water for SESRO. The total allowance for 2025-30 for developing this project is £6 million. The estimated whole life total cost of delivering the project is £387 million.

Bills

According to Ofwat's PR24 FD, the costs of the investment that AWL makes are recovered from customer bills over the long-term (extending beyond the 2025-30 period). Ofwat's aim is to ensure recovery of investment over a time period that broadly aligns with the benefits that customers receive from that investment. Because Ofwat spread the recovery of these costs over the long-term, companies must first finance their planned expenditure by attracting investment from both debt and equity providers.

Overall, the average household water bills will increase by £49 from 2024-25 to 2029-30 for AWL customers, before inflation. This includes an average rise of £22 between 2024-25 and 2025-26.

Return for providers of capital

Ofwat set an allowed return on capital as part of the revenue allowances that they consider fairly remunerates investors for the risks they face and to support companies to raise the funding needed to deliver the investment programme. The allowed return on capital at PR24 is 4.03%.

Ofwat have said: '*Our final decisions will support efficient companies to raise the finance necessary to deliver the investment requirements and meet their obligations in 2025-30 and beyond. However, each water company has some discretion to make decisions about its financing and capital structure arrangements. It is Affinity Water's responsibility to maintain adequate levels of financial resilience if it is to continue to raise the capital, on reasonable terms, that is necessary to support the investment programme.*' (available at https://www.ofwat.gov.uk/wp-content/uploads/2024/12/Overview-of-Affinity-Water-PR24-final-determination.pdf, which does not form part of this Prospectus).

***Regulatory Capital Value**:*

Under the methodology developed by Ofwat, the regulatory capital value (RCV) of Regulated Companies is a critical parameter in the calculation of the wholesale price controls set at Periodic Reviews. It represents the value of the capital base of the relevant price control for the purposes of calculating the return on the capital element of the determination of revenue allowance. The value of the regulatory capital value to investors and lenders is, at the date of the Prospectus, protected against inflation by adjusting the value each year by a combination of RPI and CPIH. From the start of the PR24 price control period the RCV will be fully indexed by CPIH. In addition, Ofwat's projections of regulatory capital value take account of the assumed net RCV additions in each year of a Periodic Review Period which are a function of the total expenditure over the period and the pay-as-you-go ("**PAYG**") ratio. The PAYG ratio is established for each price control in the Final Determination (or by the CMA in the event that the Final Determination is referred to the CMA for redetermination) and reflects the proportion of total expenditure that is remunerated in the current price control period with the remaining non-PAYG Totex added to the RCV to be remunerated in future periods. The remuneration of the RCV occurs through the RCV run-off, where the RCV is reduced at the RCV run-off rate that is included within the revenue cap.

Revenue Control

Actual turnover will be driven primarily by key physical factors such as metered volumes, metering programmes and new property growth. These will depend on external factors such as the weather, economic growth and customer behaviour. Revenue correction mechanisms correct for differences between actual turnover and the Final Determination allowed turnover (adjusted for inflation).

The control allows for in-period true-ups to take account of any under/over recovery of revenues in prior years of the AMP. In addition, there is a revenue forecasting incentive to encourage companies to keep variances between actual and allowed revenue below 2 per cent. The retail revenue allowed under the new controls is based on an efficient cost to serve for each customer and therefore will be adjusted as respective customer numbers change.

Adjustments to revenue to reflect performance

The PR24 price control methodology continued the system introduced at PR14 for incentivising service performance by AWL. The system comprises a set of outcomes (deliverables that customers have said they want to receive), performance commitments (means of assessing whether those outcomes are being delivered) and performance commitment levels (targeted standards of performance against the measures). The ODIs encourage AWL to meet its performance commitment levels, rewarding AWL if it exceeds its commitment levels and penalising it if it fails to achieve them. In the case of some ODIs the rewards and penalties are reputational but for others they are financial. The majority of rewards and penalties are paid 'in-period', through reconciliation models feeding in to the subsequent price review with final 'blind year' adjustments two years after the year in which they were earned, with a limited number paid at the 'end of period', two years after the final year of the AMP.

In-period ODIs increase the power of incentives by bringing a reward or penalty closer in time to the actions that earned it. They are also likely to reduce the size of adjustments at price reviews. Ofwat published on 8 October 2024 its annual Water Company Performance Report 2023-24 where AWL, amongst the majority of the other water companies, is categorised and remains in the 'average' category.

Payments can take the form of a penalty paid by a company to compensate customers for performance below its committed performance level or a reward received by a company to reflect stretching levels of performance provided to customers beyond its committed performance levels.

Whereas at PR19, there were significant differences between the companies' performance commitments and performance commitment levels, at PR24 most companies will have largely the same set of common performance commitments and performance commitment levels.

Ofwat introduced the Outcome Adjustment Mechanism ("**OAM**") as part of the PR24 FD. Where triggered, the OAM re-calibrates the ODI penalties and rewards of all companies by an equal proportion, that being what is needed to bring the median company to a position of zero penalty or reward. The OAM is an in-period adjustment, triggered only where the effects of ODIs on the median company exceed 0.5 per cent. of the rate of return on notional regulated equity ("**RORE**"). This means that if AWL were to incur significant ODI penalties, the effects would be moderated, provided the median company also incurred penalties greater than 0.5 per cent. RORE. Further mitigations are provided by the Aggregate Sharing Mechanism ("**ASM**"), also set in the PR24 FD. Should ODI penalties exceed 3.0 per cent. RORE, the parts of any penalties exceeding 3.0 per cent. are moderated.

Revenues may also be adjusted for AWL's delivery performance. The Price Control Deliverables ("**PCD**") incentives protect customers should AWL fail to deliver funded improvements by returning the funding to customers in cases of non-delivery. They also incentivise delivery 'on time' by applying underperformance payments for late delivery (although reward payments are earned for delivery on time.) Penalty rates for late delivery are set three times higher than reward rates for on time delivery. PCD incentives apply principally to enhancement expenditure, with a smaller number applicable to certain base activities, such as mains renewal. Failure by AWL to deliver the requirements and the timetable set out in the PCD incentives will result in financial penalties that would be applied as part of the 2030-35 price control review.

In addition to PCD incentives, the Delayed Delivery Cashflow Mechanism ("**DDCM**") incentivises progress with delivery. The DDCM would claw-back a proportion of revenue associated with unspent wholesale expenditure allowances, should AWL fall behind with delivery. The clawback would result in adjustment to allowed revenues in later years of the 2025-30 period. DDCM changes the timing of receipt of revenues rather than removing them entirely. Allowed revenues are reinstated in the 2030-35 period provided expenditure recovers to expectation.

Bulk Supply and special agreement charges

A small number of mainly large consumption non-domestic customers are charged in accordance either with individual "special" arrangements or standard charges which do not fall within the scope of the tariff basket. These include charges for bulk supplies and charges in respect of infrastructure provision and, where these are not in accordance with standard charges, charges for non-domestic supplies of water and the reception, treatment and disposal of trade effluent. Charges for bulk supplies of water are usually determined on an individual basis, as are charges for some larger non-domestic water supplies and some trade effluent. The charging basis for bulk supplies in some cases provides for annual recalculation by reference to the expenditure associated with the supply.

The Water Act 2014 introduces measures which are designed to encourage the entry into bulk supply agreements. On the application of one of the parties to the ensuing agreement, Ofwat may make an order for the supplier to make a bulk water supply to a qualifying person, and for that qualifying person to take it, under such terms and conditions as Ofwat specifies. Ofwat can only make an order if it is satisfied that the bulk supply is necessary for securing the efficient use of water resources and where it is satisfied that the parties are unable to come to an agreement themselves.

The Water Act 2014 enabled Ofwat to create codes relating to bulk supply pricing. In January 2021, Ofwat published its guidance on 'Bulk Charges for new appointees – guidance on our approach and expectations' replacing its 2018 guidance on 'Bulk Charges for NAVs'. As a supplement to the bulk supply pricing principles which Ofwat published in 2011, the guidance document sets out its approach when determining bulk charges set by an incumbent water company for bulk services provided to a NAV in England and Wales.

As part of the Regulators' Alliance for Progressing Infrastructure Development ("**RAPID**"), Ofwat is also working with Regulated Companies on the question of whether and how it may be appropriate to introduce rules about charging and other terms within bulk supply agreements covering large new cross-company infrastructure. AWL is represented within the working group for RAPID which is a collaborative body established by the DWI, EA and Ofwat.

Interim Determinations of a price control

Condition B of a Regulated Company's instrument of appointment provides for Ofwat to determine in certain circumstances whether and, if so, how the level of price controls should be changed between Periodic Reviews. The procedure for an interim determination can be initiated either by the Regulated Company or by Ofwat. An application for an interim determination may be made in respect of a Notified Item, a Relevant Change of Circumstance or where there has been a substantial adverse or favourable effect on the delivery of regulatory outputs.

(a) *Notified Item*

A Notified Item is any item formally notified by Ofwat to the Regulated Company as not having been allowed for (either in full or at all) in the price control, provided that there has been no Periodic Review subsequent to that notification.

For the AMP7 period, Ofwat's Final Determination included two Notified Items for AWL: (1) any increase in costs that is attributable to the continued lawful use of metaldehyde as a pesticide; and (2) in certain circumstances, where the DPC route no longer provides value for money for customers for the Brett River Sustainability Reduction scheme. The CMA re-determination did not, remove or amend these Notified Items.

For the AMP8 period, Ofwat's Final Determination includes two Notified Items for AWL: (1) any increase in costs attributable to changes in legal requirements for cyber security, and (2) any increase in capital expenditure to carry out works at treatment works to ensure the safety of drinking water with respect to per- and poly fluoroalkyl substances ("**PFAS**"), beyond that already allowed in the Final Determination, where in particular those works are required by a new notice under regulation 28(4) of the Water Supply (Water Quality) Regulations 2016.

(b) *Relevant Changes of Circumstances*

A "Relevant Change of Circumstances" ("**Relevant Change of Circumstances**") is defined in the instrument of appointment of each Regulated Company. The following costs are expected to qualify for Relevant Change of Circumstances:

(i) the application to the Regulated Company of any new or changed legal requirement including any legal requirement ceasing to apply, being withdrawn or not being renewed (to the extent that the legal requirement applies to the Regulated Company in its capacity as a water undertaker);

(ii) any difference in value between actual or anticipated proceeds of disposals of Protected Land and those allowed for at the last Periodic Review or interim determination;

(iii) where, on a price determination an allowance has been made for taking steps to secure compliance or facilitate compliance with a legal requirement or achieve a service standard and the Regulated Company has failed to take those steps and (a) as a result, failed to spend the full amount which it was assumed would be spent taking into account savings which may have been achieved by prudent management and (b) the stated purpose has not otherwise been achieved; and

(iv) where on a price determination an amount has been allowed for on account of capital expenditure to be incurred by the Regulated Company, and for any charging year the index of national construction costs used by Ofwat is at a different level from that which had been assumed would pertain for that charging year.

An interim determination takes account of the costs, receipts and savings to be included in the price determination which are reasonably attributable to the Notified Items or the Relevant Changes of Circumstances in question and are not recoverable by charges outside the price control formula. The amount and timing of the costs, receipts and savings must be appropriate and reasonable for the Regulated Company in all the circumstances and they must exclude trivial amounts, any costs which would have been avoided by prudent management action, any savings achieved by management action over and above those which would have been achieved by prudent management action, and any amounts previously allowed for in a price determination. These costs are then netted off against the receipts and savings to determine the annual cash flows thereof for each year included in the period over which the costs are to be measured ("**Base Cash Flows**").

In relation to AWL's Instrument of Appointment:

(i) Ofwat guidance (available at https://www.ofwat.gov.uk/regulated-companies/price-review/interim-determinations/, which does not form part of this Prospectus) sets out that in respect of the triviality threshold each Notified Item must equal at least 2 per cent. of service turnover; and

(ii) The materiality threshold will only be reached where the sum of the net present values is equal to at least 10 per cent. of the latest reported service turnover attributable to the Regulated Company's business,

in each case calculated on the basis of net present values of (x) Base Cash Flows consisting of operating expenditure and/or loss of revenue calculated over 15 years and (y) other Base Cash Flows calculated over the period to the next Periodic Review. An adjustment to the level of price controls (which may be up or down) is then calculated on the basis of a formula broadly designed to enable the Regulated Company to recover the additional allowable costs incurred or to be incurred during the period until the start of the first charging year to which the next Periodic Review applies and attributable to the identified Base Cash Flows. The change is then made for the remainder of the period up to the start of that first charging year. Condition B of the instrument of appointment sets out in detail the step-by-step methodology which Ofwat is required to apply.

(c) *Substantial Effects ("**Shipwreck Clause**")*

In addition, under the substantial effects Shipwreck Clause in the licence of a Regulated Company, the Regulated Company or Ofwat is permitted to request price controls to be reset if its Appointed Business either: (i) suffers a substantial adverse effect which could not have been avoided by prudent management action; or (ii) enjoys a substantial favourable effect which is fortuitous and

not attributable to prudent management action. For this purpose, the financial impact is calculated in the same way as for the materiality threshold above except that the 10 per cent. materiality threshold is replaced by a 20 per cent. materiality threshold. AWL has a Shipwreck Clause in its Instrument of Appointment.

Ofwat can respond to applications for interim determinations by Regulated Companies such as AWL by considering the substantial favourable effects mechanism.

(d) *DPC Interim Determination mechanism*

In January 2021, Ofwat modified AWL's licence to provide for a new process by which AWL could undertake the procurement of a third party competitively appointed provider for projects designated (with Ofwat's agreement) to be delivered under the DPC initiative. The modifications specify the process to be followed in carrying out a DPC procurement, including the requirement to obtain Ofwat's agreement for the procurement, requirements for the contract to be entered into with the third-party provider, and provision for Ofwat to allow Regulated Companies to recover charges from customers to meet the costs of the designated project. The modification to AWL's licence introduced a separate Interim Determination process which would apply where Ofwat revokes the designation of a project as one to be delivered by DPC. Under this circumstance, AWL would undertake the project instead of a competitively appointed provider and the Interim Determination would serve to allow it the costs necessary to do so. Ofwat's licence modification therefore introduced a third type of Interim Determination in addition to the standard and substantial effects Interim Determinations. The materiality threshold in the DPC Interim Determination is set at two per cent. of turnover or £10m, whichever is the lower.

Other Restrictions on Charging

Under the WIA, Regulated Companies must charge for water supplied, or sewerage services provided, to dwellings in accordance with a charges scheme which must comply with charging rules laid down by Ofwat. In drafting such rules, Ofwat must have regard to charging guidance issued to Ofwat by the Secretary of State. Regulated Companies are prohibited from disconnecting dwellings and certain other premises for non-payment of charges for water supply.

The regulation of charging for developer services has evolved considerably from the narrow formulae mandated by statute up until April 2018. Charging rules provide for charges in respect of site-specific infrastructure to be set so as to reflect:

(a) fairness and affordability;

(b) environmental protection;

(c) stability and predictability; and

(d) transparency and customer-focused service; and

(e) costs of the relevant service.

This, plus the removal of these activities from the scope of the price control (discussed above in relation to principal licence conditions recently modified), have largely ensured a fair and operating competitive market comprising Regulated Companies and self-lay providers for delivery of such infrastructure. However, a strong competitive market remains elusive for one-off applicants for single connections or small blocks of up to 10 flats, where few self-lay competitors operate. To protect these customers, Ofwat is setting "tether ratios" within the charging rules. These represent four maximum unit ratios between charges for these two scenarios and charges for 50 and 200 connections, where competition is strong.

In its Information Notice 24/08, published in October 2024, Ofwat set out its expectations for 2025/2026 in relation to water company charges. Ofwat expects water companies to be transparent about how they set charges. Customers and other stakeholders expect water company charges to comply with all relevant statutory obligations, including Ofwat's charging rules. They also expect water companies to engage meaningfully on proposed charges and ensure that the information they publish is subject to high-quality assurance. Where water companies introduce new charging policies or see changes in the cost of providing services which lead to significant increases in charges, Ofwat expects water companies to have met a high

evidential bar including appropriate third-party support for why the changes are being proposed; proven interactions with customers; and evidence of engagement with and support from customer representatives, where appropriate especially with the Consumer Council for Water ((“**CCW**”), formerly “CC Water”) representing water consumers, on changes to charges schemes for which it is a statutory consultee.

In August 2023 Ofwat published a consultation on “*Changing Ofwat’s charging rules to support the new developer services framework*” that proposes the following:

(a) requiring companies to tether charges for typically uncontested sites to those of typically contested sites;

(b) increasing transparency and supporting the market through a requirement to further unbundle charges for activities involved in service connections;

(c) introducing two new scenarios for which companies will publish worked examples, to offer additional assurance to developer customers at sites not represented by existing scenarios;

(d) providing enhanced guidance via its Regulatory Accounting Guidelines on how to allocate costs to developer services;

(e) carrying out a market review prior to PR29, for companies to demonstrate how they support the developer services market; and

(f) requiring companies to set infrastructure charges taking account of differences between actual and forecast costs and revenues.

In May 2024 Ofwat published its initial conclusions and a consultation proposing to:

(a) introduce new price protections for developer customers with limited market choice by capping the difference in charges for sites where competition is lower relative to where it is higher (maximum tether ratio);

(b) introduce new protections for developer customers with limited market choice by requiring companies to publish separate charges for some activities needed to deliver service connections, within their published Charging Arrangements and worked examples for each scenario;

(c) introduce new protections for developer customers with limited market choice by requiring companies to publish charges for a new worked example scenario;

(d) develop Ofwat’s understanding of the effects of deregulation and deepen its knowledge of the developer services market by carrying out a market review early in the next price control period, based on engagement with the sector about the scope of the project;

(e) implement additional guidance to water companies on allocating overheads between developer services and other activities separately, as part of Ofwat’s work on annual performance reporting;

(f) allow companies to set infrastructure charges to enable them to recover all the costs of network reinforcements (but not costs that are not reinforcements), from developer customers; and to allow companies to include historical variances between infrastructure charge revenue and network reinforcement expenditure when setting infrastructure charges.

References to the CMA

If Ofwat fails within specified periods to make a determination at a Periodic Review or in respect of an interim determination or if the Regulated Company disputes its determination, the Regulated Company can require Ofwat to refer the matter to the CMA for determination by it after making an investigation. The CMA must make its determination in accordance with any regulations made by the Secretary of State for the Environment and with the principles which apply, by virtue of the WIA, in relation to determinations made by Ofwat. The decisions of the CMA are binding on Ofwat and the Regulated Company.

On 17 February 2025 AWL announced its acceptance of the PR24 price determination, describing it as a comprehensive investment programme designed to ensure the long-term sustainability, resilience, and affordability of AWL water services for the diverse communities it serves.

Environmental Regulation

The water industry is subject to numerous regulatory requirements concerning human health and safety and the protection of the environment. Non-compliance with many of these requirements may potentially constitute a criminal offence. However, the Regulatory Enforcement and Sanctions Act 2008 (as amended) allows the Secretary of State to confer powers on the regulators to impose civil penalties (such as fixed monetary penalties) on businesses as an alternative to criminal prosecution. Through the Environmental Civil Sanctions (England) Order 2010 the Secretary of State conferred these powers on the EA in relation to a number of environmental offences. The EA's decision regarding which of its enforcement powers to use in relation to a breach includes consideration of the seriousness of the breach and its consequences and the public interest in bringing a prosecution. The EA can also accept an environmental undertaking in lieu of prosecution, the terms of which are suggested by the offender but usually include a donation to charity.

The Sentencing Council issued the definitive guidelines on environmental offences on 26 February 2014 and they came into force on 1 July 2014. The guidelines provide step-by-step guidance for the sentencing of offenders in both the Magistrates and Crown Courts. The guidelines provide the courts with a range of potential fines and invite the courts to consider a series of relevant factors when sentencing offenders. In addition to the harm caused by the offence and the culpability of the offender, the courts are required to take into account the turnover of the offending organisation in order to ensure that the fine is proportionate to the means of the offender. While the current guidelines remain in place, the Environmental Audit Committee, a cross-party committee of Members of Parliament responsible for the 2021 inquiry into river water quality, has called for their review as part of their report issued in January 2022. The Government response to the report was published on 16 May 2022 indicating that the Sentencing Council will consider the recommendation that the guidelines for water pollution offences be reviewed. As at the date of this Prospectus, there has been no further update on the proposed review.

The issuance and subsequent application of the definitive guidelines on environmental offences by the courts has led to increases in record fines for large utility companies (including water companies) in the UK over the past ten years. This has in turn driven an increased focus on compliance with environmental laws and environmental permit conditions. It has also increased focus on environmental compliance issues at a senior management and boardroom level.

There has also been unprecedented scrutiny from a wide range of stakeholders on the UK water and water recycling industry, including governments and regulators, NGOs, local communities and other stakeholders. There is heightened focus on the environmental performance and compliance status of the industry as a whole, particularly in relation to wastewater discharges. Stakeholder groups have been increasingly calling for greater regulatory enforcement action to be taken and the EA has responded by indicating that it intends to pursue more aggressive enforcement action, including against directors of water companies.

Changes to the VMPs came into force on 1 December 2023 by way of statutory instruments amending the EP Regulations 2016 and the Environmental Civil Sanctions (England) Order 2010 (Order). Following a public consultation, the EA published its updated enforcement and sanctions policy which applies to offences that occur from 11 December 2023 onwards. The EA can now impose potentially significant financial penalties on companies that pollute the environment without bringing criminal proceedings. The previous £250,000 cap on VMPs under the Environmental Civil Sanctions (England) Order 2010 has been removed, and the range of offences for which VMPs can be imposed has been expanded.

In line with the EA's push to improve day-to-day performance and meet progressively higher standards of environmental protection, it announced in November 2021 in conjunction with Ofwat a major investigation into sewage treatment works across the industry. The investigation ("**Operation Standard**") involves all water and sewerage companies, more than 2000 sewage treatment works.

The EA's initial assessment indicated that there may have been widespread and serious non-compliance with the relevant regulations by all water and sewerage companies. The broader investigation by the EA is still underway. As of July 2024, the EA investigation team had reviewed over 30,000 exhibits and 850 statements. There is currently no indication of any date for it to reach its conclusion. When the investigation

is complete, companies could face enforcement action by the EA, including fines and prosecutions, as a result of breaches of their legal permits or obligations.

The Operation Standard investigation by Ofwat is also ongoing. In February 2022, Ofwat completed an initial assessment of the summary information requested from water and wastewater companies. As of July 2024, Ofwat has opened enforcement cases against 11 water and wastewater companies and in August 2024, it proposed that three companies be fined for failing to manage their wastewater treatment works and networks. In addition to the proposed financial penalties, Ofwat has also been consulting on proposed enforcement orders which will require each company to rectify the problems Ofwat has identified and to ensure compliance with legal and regulatory requirements. The other cases are ongoing.

The investigations undertaken by Ofwat and the EA form part of the previously mentioned unprecedented level of scrutiny from a wide range of stakeholders on the UK water industry, particularly in relation to its environmental performance and compliance status. This scrutiny has led stakeholder groups to call for greater regulatory enforcement action. The Water Act 2025 was passed on 24 February 2025 (for more information on the content of the Water Act 2025, see section 1.1). The Water Act 2025 provides for the implementation of certain measures through secondary legislation which means that the full detail of the proposed rules may not yet be known for some time. The Water Act 2025 has potentially broad implications for water undertakers such as AWL and in particular for WASCs.

In addition, an Independent Commission into the water sector and its regulation was launched by the UK Government on 23 October 2024. The Commission will report to the Government in 2025 with recommendations on how to tackle issues in the water sector to restore rivers, lakes and seas to good health, meet the challenges of the future and drive economic growth. A set of recommendations will be delivered to the DEFRA Secretary of State, the Deputy First Minister for Wales and the Cabinet Secretary for Climate Change and Rural Affairs in 2025. The UK Government and Welsh Government will then respond with the legislative proposals they intend to take forward.

On 19 December 2024, the Environment, Food and Rural Affairs Committee launched a new inquiry, Reforming the Water Sector, to look into the regulation of the water sector. Members of Parliament will run this piece of work as a long-term inquiry which will see them take evidence over a number of months on a range of issues including the financial stability of the water sector, support for vulnerable consumers, water security, sewage overflows and agricultural pollution, and emergency responses to flooding, outages and drought. The Environment, Food and Rural Affairs Committee held oral evidence sessions on 21 January 2025, 25 February 2025 and 26 February 2025. The new inquiry will examine the Government's work taking place in this area, including the work of the Government's Independent Commission into the water sector, which is expected to report in mid-2025.

This environment could lead to an increase in enforcement activity by the EA and Ofwat as well as an increase in third party claims. This could mean substantial fines, compensation payments and requirements to invest in infrastructure and increased operating costs. There is a risk that material capital expenditure incurred in updating and improving facilities will not be covered by the Periodic Review process and will require significant separate investment. See "*Risk Factors*" and in particular, "*Risk Factors – Risks relating to the Programme Issuer – Environmental and Insurance Considerations – Costs of Compliance with Environmental Laws and Regulations*".

Abstraction Licensing

Regulated Companies are dependent on abstraction licences issued by the EA to enable them to abstract water from surface and groundwater. Under the Water Resources Act 1991, water abstractions must be carried out in accordance with a licence granted by the EA. It is a criminal offence to abstract water without a licence or in breach of the conditions of an abstraction licence. The maximum penalty is an unlimited fine. Existing abstraction licences may be revoked or varied by a direction from the Secretary of State without compensation being payable to a water or sewerage undertaker.

Successive UK Governments have long raised concerns about the UK's approach to managing water abstraction, specifically in relation to older abstraction licences which allow abstraction which may cause damage to the environment (including licences previously granted without a time limit). In the Government's revised 25 Year Plan published in 2023, the previous Government stated that the amount of abstraction needed to reduce to be sustainable.

In line with these concerns, DEFRA began working on a significant programme of water abstraction reform, a key element of which included the incorporation of the water abstraction regime into the environmental permitting regime set out in the EP Regulations 2016. A 12-week consultation commenced by DEFRA in September 2021 on this move closed in December 2021.

As part of these reforms, DEFRA undertook a Restoring Sustainable Abstraction ("**RSA**") programme which was set to complete in March 2020 and involved the review and adjustment of 150 "potentially damaging licences". On 26 November 2020, Parliament confirmed that 85 per cent. of the RSA programme had completed by 31 March 2020 and the RSA had changed 320 damaging abstraction licences to date. It noted that the EA was, at that time, still investigating 55 remaining complex licence changes.

DEFRA also consulted on another element of its proposal in January 2019, further to its water abstraction plan published in December 2017 which set out how DEFRA intended to modernise water regulation in England. These proposals have now been made through the Environment Act 2021, which formally became law in November 2021 and other legislation, including amendments to the Water Industry Act 1991. The Environment Act 2021 amends the Water Resources Act 1991 to give the EA additional powers to revoke or vary permanent abstraction licences without the need to pay compensation, without having to seek direction from the Secretary of State. Specifically, it sets out that on or after 1 January 2028, the EA would be able to:

(a) revoke or vary an abstraction licence where the change is necessary to protect the environment; and

(b) vary a licence to reduce the permitted volume where the abstraction licence is consistently underused over an assessment period of 12 years if the quantity abstracted did not exceed 75 per cent. of the volume authorised by the abstraction licence in each year of the 12-year period.

In November 2021, the EA published a new licence capping policy to meet the Water Framework Directive no deterioration driver under abstraction reform. This signalled the need to cap all licences to either recent historical maximum and/or recent historical average levels to protect the environment from the impact of future growth in water demand. This policy took immediate effect and applies for any licence application, variation or renewal, where required to protect the environment.

Renewal of time-limited abstraction licences upon their expiry is also not guaranteed, although there is a presumption of renewal in AWL's Water Resources Management Plan 2024. The EA adopts a three-fold test which applicants must meet when considering licence renewal upon expiry of time limited licences:

(a) abstraction must be sustainable;

(b) the abstractor has a reasonable need for the water; and

(c) the abstractor will use the water efficiently.

Abstractors may also face civil claims where damage arises from abstractions. On 4 February 2016, the High Court gave its judgment in the case of *Chetwynd and another v Tunmore and another* [2016] EWHC 156 (QB). This case was the first to consider s 48A of the WRA, which provides that a person who suffers loss or damage as a result of abstraction from inland waters or underground strata can bring a claim against the abstractor. In this case, the High Court confirmed that there was no need for the loss suffered by a claimant to be a foreseeable consequence of the water abstraction. However, the High Court confirmed that a claimant must prove, on the balance of probabilities, that but for the water abstraction, the loss and damage would not have occurred.

Energy and Climate Change

AWL may incur increased costs in the future due to increased electricity prices to account for carbon trading schemes and carbon prices applicable to electricity generators. Tighter caps on emissions and full auctioning of allowances have applied to most electricity generators in the EU Emissions Trading Scheme ("**EU ETS**") and the new UK Emissions Trading Scheme ("**UK ETS**"). The UK left the EU ETS in 2021 following the June 2016 referendum in favour of the UK leaving the EU and the replacement UK ETS scheme began operating in January 2021 and had an emissions cap that was by 5 per cent. lower than the UK's share would have been under the EU ETS. As expected, these schemes have given rise to a restriction on supply resulting in higher prices for carbon that are being passed on by the generators to consumers such

as AWL in the price of wholesale electricity. The Government's introduction of a carbon price floor for electricity generation, under the Climate Change Levy (General) (Amendment) Regulations 2013, has also affected electricity prices. AWL's electricity costs were £50.8 million in 2023-24, 35.2 per cent. of which were associated with regulated charges and levies such as distribution and transmission charges and under those schemes both pre-dating and including Electricity Market Reform, such as low-carbon transition costs. Under the Electricity Market Reform, the regulated element was forecast to continue to grow to over 60 per cent. of electricity costs by the end of the AMP7 period; while recent increases in wholesale prices due to the surging price of natural gas have changed this balance, the regulated element is still forecast to grow in absolute terms. The UK Government has expressed a desire to shift the burden of low-carbon levies away from electricity and onto natural gas to incentivise the uptake of air source heat pumps, however, plans around this have been delayed for over two years and concrete proposals and timescales had not been published as of the date of this Prospectus.

It is therefore likely that energy transition costs will continue to be included in the cost of electricity for the time being and given the adoption of the target of reaching net zero by 2050 in the Climate Change Act 2008 and the UK's Paris Agreement commitments, these costs are unlikely to decline.

Separately, the Climate Change Act 2008, which includes a framework for the adoption of environmental trading schemes, provides for a duty on companies to report on greenhouse gas ("**GHG**") emissions. This has been implemented in the UK by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and puts an obligation on quoted companies to report on their GHG emissions. For AMP8, Ofwat has introduced a performance commitment for operational greenhouse gas emissions, incentivising company-wide reductions in greenhouse gas emissions. The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which took effect in respect of financial years beginning on or after 1 April 2019, also require quoted companies, large unquoted companies and large limited liability partnerships to report on their emissions, energy consumption and actions taken to improve energy efficiency. This has been added to with the recent Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, which apply in respect of financial years starting from 6 April 2022 onwards and require UK companies with a group turnover of more than £500 million and more than 500 employees to prepare an annual non-financial and sustainability information statement with a number of climate-related financial disclosures similar to those recommended by the Task Force on Climate-related Financial Disclosures. The UK Government has also announced that it intends to develop Sustainability Disclosure Requirements which will be based on the International Sustainability Standards Board's International Financial Reporting Standards (IFRS) S1 and S2 and which will require in-scope companies to make further sustainability disclosures. In May 2024, the UK Government announced that it intends to make these standards available in draft in Q1 2025, and subject to a positive endorsement decision, will consult on disclosure requirements for UK companies that are not FCA-regulated in Q2 2025.

By nature, Regulated Companies are exposed to the risk of increasing drought and consequent loss of abstraction resources resulting from the effects of climate change. It is likely that the use of such resources will become increasingly regulated as governments work to comply with their international obligations pertaining to the environment and as such resources become scarce. As a consequence and in order for Regulated Companies to comply with such increasing regulation and to adapt to and mitigate the risk of decreasing abstraction resources, it is likely that this will be a future area of investment for these companies. To the extent that such investment is not allowed by Ofwat for whatever reason, this may constitute a material liability for the relevant company.

Asbestos

The Control of Asbestos Regulations 2012 impose a duty on those who own or control commercial premises to carry out detailed assessments for the presence of asbestos, record its condition and proactively manage the associated risks. Asbestos is present at a number of AWL's properties and there is a risk that AWL may incur material expenditure in managing or removing asbestos located at these properties to comply with the Regulations. AWL has experienced a small number of claims from former employees and their families arising from historical primary or secondary exposure to asbestos during their employment, where insurance coverage was not available under current or previous insurance policies.

Where asbestos is found at any of AWL properties a formal report is compiled with the asbestos left safely in situ. Each location is surveyed again annually with remedial work taking place where it is deemed necessary. There has been no remedial work needed to be carried out at AWL sites in the past 5 years.

Discharge into Inland Fresh Waters, Coastal Waters or Relevant Territorial Waters

If Regulated Companies wish to discharge polluting matter into such water bodies, they must seek an environmental permit from the EA. The EA has the power to grant or refuse permits, to impose conditions, or to modify, vary or revoke such permits. Permit conditions may control the quantity of a discharge or the concentrations of particular substances in it, or impose broader controls on the nature of a discharge.

Non-compliance

The EP Regulations 2016 provide for a number of other water pollution offences. Some activities require an environmental permit and failing to comply with the conditions in an environmental permit can result in an unlimited fine or five years' imprisonment.

It is possible that the regulators may prosecute a company's directors, managers, secretary or others in similar offices, if it believes that the offence was committed with their consent or connivance, or was attributable to their neglect. The EA indicated in July 2022 in its "Environmental Performance Report 2021" that it intends to pursue more aggressive enforcement action going forward, including against directors of water companies. On 11 December 2023, the EA published its updated enforcement and sanctions policy which applies to offences that occur from 11 December 2023 onwards. Changes to VMPs came by statutory instruments amending the EP Regulations 2016 and the Environmental Civil Sanctions (England) Order 2010 (Order). As of 11 December 2023, the EA can now impose potentially significant financial penalties on companies that pollute the environment without bringing criminal proceedings. The previous £250,000 cap on VMPs under the Environmental Civil Sanctions (England) Order 2010 has been removed, and the range of offences for which VMPs can be imposed has been expanded.

Management of Water Resources

Water Resources Planning

The Water Act 2003 amended the WIA to provide that Regulated Companies are under a duty to further water conservation when they formulate or consider any proposal relating to their functions and placed water resources management plans on a statutory footing: Regulated Companies have a duty to produce WRMPs, publish and consult upon them. These plans set out how the Regulated Company will manage and develop water resources so as to be able, and continue to be able, to meet its water supply duties under the WIA. It must address, amongst other things, the Regulated Company's estimate of the water it will need to meet its duties, and the measures it intends to take to manage and develop resources. The planning period is 25 years.

AWL published its draft WRMP 2024 on 14 November 2022 and consulted with its customers and stakeholders for 14 weeks, by asking them eight consultation questions. AWL used their feedback to inform and shape its revised draft plan, which was approved by DEFRA and became its final plan following additional changes. The consultation also helped AWL develop its long-term ambitions and steer how it manages its water resources in the future with customers at the core. AWL's final plan was published on 18 October 2024 covering the 50-year period of 2025-75.

It's important to highlight that AWL's WRMP is based on a shared, regional approach, since the water resources AWL manages in the Southeast of England present significant and complex challenges that it faces collaboratively with five other water companies operating in the same region. This alliance includes AWL, Portsmouth Water, SES Water, South East Water, Southern Water and Thames Water and is known as Water Resources South East ("**WRSE**"). Together, they created a regional plan to address these challenges at a regional level and reflected on what those decisions mean for AWL in the development of its own plan.

AWL also share the Brett community with Water Resources East ("**WRE**"), a similar group to WRSE, covering the East of England from the Humber to the Thames estuary. AWL have worked closely with this group to ensure it has taken a wholly regional, collaborative approach to developing both its draft and final plans. AWL's WRMP therefore reflects the two regional plans by not only supporting its own supply area, but the WRSE and WRE regions as a whole.

This regional focus is an important element of AWL's WRMP, and it is set out in the DEFRA Water Resources Planning Guideline, which AWL are required to adhere to, along with other policies and guidance put in place by Ofwat, the industry's economic regulator.

AWL have worked collectively as one of the six WRSE member companies, as well as with WRE, to develop a plan that both delivers for its customers and their future water needs and the South East and East of England as a whole. AWL has aimed to look beyond the boundaries of the company to identify the options that will deliver the most benefit to its customers, society, and the environment, now and in the future. The plan fully reflects both the WRSE and WRE regional plans. AWL will continue to engage and support its customers across the whole planning period, up to 2075.

To support population growth and the environmental ambition, AWL need to deliver an ambitious and challenging demand management programme that delivers a mix of leakage reduction (through fixing leaks and replacing pipes), smart metering and water efficiency campaigns for both household and business customers. This also needs to be supported by government-led policies on household water efficiency. AWL is committed to achieving a 50% leakage reduction within the industry. Whilst achieving this will require some expensive and disruptive mains replacements, these are needed to conserve water, and this leakage target is supported by its customers.

As well as ensuring AWL reduce the demand for water, it needs to make sure, as a minimum, it can move water across its supply area to where it is needed and connect its network across its region. This strategy not only applies to its short-term plans, but it is also critical when AWL is looking at delivering its environmental ambition, supplying an increasing population across its area and utilising new strategic supply options in the future. AWL is looking at the potential strategic schemes and phasing of water resource developments to understand the differences needed in 'local' infrastructure, such as the pipes and pumping stations needed to support those schemes.

Identifying ways to reduce the demand for water by tackling leakage and helping people use less, while ensuring AWL can move the water it does have to where it's needed, is at the forefront of AWL's plan. However, to meet the challenges, it has set out to reduce abstraction from groundwater sources and achieve its environmental destination, and AWL needed to identify alternative supply sources to ensure a resilient supply to its customers in the long term.

The Grand Union Canal Strategic Resource Option is one of the strategic resource options. It utilises existing infrastructure to transfer water from the Midlands down to the AWL supply area. This transfer will take treated water from Severn Trent's Minworth site, via a new closed pipeline transfer, to discharge at a location on the canal near Atherstone. The transfer will utilise the existing canal structure, passing through the Coventry Canal, the Oxford Canal and the Grand Union Canal, with a small number of pump and lock upgrades required. Water will be abstracted at a location near Leighton Buzzard and stored, before being treated at a new Water Treatment Works and then transferred to the AWL supply area. This transfer offers multiple benefits for the existing canal users and owners, the local community and the local environment. AWL's plan is to deliver the transfer as soon as possible, and ideally by 2033.

AWL's WRMP leads its long-term water resources strategy for the period of 2025 to 2075. It will be updated again in 2029. The plan and the technical appendices are available at https://affinitywater.uk.engagementhq.com/wrmp (which does not form part of this Prospectus).

Water Industry National Environment Programme

The Water Industry National Environment Programme ("**WINEP**") is the programme of actions water companies need to take to meet statutory environmental obligations, non-statutory environmental requirements or delivery against a water company's statutory functions .

In its PR24 Business Plan, AWL set out its approach to delivering against the Water Industry Strategic Environmental Requirements ("**WISER**") which includes WINEP and other regulatory and legislative requirements. AWL's PR24 WINEP includes a series of investigations and options appraisals assessing the impact of its public water supply abstraction on the environment, alongside a programme of implementation works. This includes reducing groundwater abstraction from chalk stream catchments in line with AWL's WRMP 2024, biodiversity enhancement works and a programme of Catchment and Nature-based Solutions (C&NbS), comprising of river restoration, habitat enhancement and catchment management initiatives. To support this, AWL will work with land managers and farmers across its supply area to improve land and soil management for more resilient catchments under different climatic conditions and the protection of ecologically important chalk streams.

Sustainability Changes and Reductions

The management of water resources by Regulated Companies is subject to a number of challenges, including: dry weather conditions; climate change; increasing demands for water; rises in leakage rates; aquifer contamination from industrial and agricultural pollution; and reductions in abstraction required to ensure sustainable river systems. In relation to the latter, the EA has been instructed by DEFRA to use its powers to amend, modify or revoke damaging abstraction licences (see "*Water Abstraction Reform*").

In previous years, funding for environmental sustainability reductions has been provided through the Periodic Review with the solution chosen to achieve the abstraction reduction (such as use of an alternative water supply source) being funded prior to its implementation. From 15 July 2012, the EA was given the power to lower the authorised quantity of existing abstraction licences without paying compensation if it believes it is necessary to protect any waters or underground strata, or any flora or fauna dependent on them, from "serious damage". The EA's approach to any such revocation or variation was assessed against a set of principles to determine whether there was a need to protect the environment from "serious damage" and throughout any process of assessment there will be consideration of any cost-effective alternatives to changing the licence to meet environmental objectives. Under the Environment Act 2021, this power will be extended from 1 January 2028 (see "*– Abstraction Licensing*" above). At this time, a funding route for sustainability reductions will need to be found, and it is possible that the Periodic Review mechanism will be used again.

Strategic Policy Statement

In accordance with section 2A of the WIA, Ofwat is required to carry out its functions in accordance with the Strategic Policy Statement. This sets out the UK Government's priorities for Ofwat's Regulation of the water sector in England. In February 2022, DEFRA published a new Strategic Policy Statement ("**SPS**") for Ofwat to replace the previous version in March 2017, following a period of consultation in 2021. The statement sets out four strategic priorities for Ofwat. These are to: protect and enhance the environment; deliver a resilient water sector; serve and protect customers; and use markets to deliver for customers.

Principal EU Law

EU law remained in full force and effect in the UK until the end of the transition period on 31 December 2020. Following the end of the transition period, the EUWA effectively provides for existing EU environmental legislation to continue to apply as domestic legislation following withdrawal from the EU, with some necessary modifications implemented through statutory instruments to allow it to continue to function ("**Retained EU Law**"). As a result, the activities of Regulated Companies are still affected by the requirements of EU Directives which provide a common framework for stewardship of the environment and social considerations, and national and local level legislation and regulation. EU Directives are known as secondary law. They are binding as to the results to be achieved, but the means of implementation and transposition into national laws are a matter for each Member State. Such EU Directives include the Water Framework Directive (2000/60/EC) (the "**Water Framework Directive**"), the Urban Waste Water Treatment Directive (91/271/EEC) (the "**UWWTD**"), the Industrial Emissions Directive (2010/75/EU) (the "**IED**") and the EU Floods Directive (2007/60/EC), which are discussed below. The Environment Act 2021 established an Office for Environmental Protection, whose role amongst other things is to ensure compliance with Retained EU Law.

Water Framework Directive

The Water Framework Directive rationalises existing EU water legislation to provide a framework for the protection and improvement of ground, inland and coastal waters and to promote sustainable water consumption. The Water Framework Directive was transposed into English and Welsh law by the Water Environment (Water Framework Directive) (England and Wales) Regulations 2003 which came into force on 2 January 2004 (and has since been revoked and replaced). The Water Framework Directive is set out over three 'six year' planning cycles, the first of which commenced in December 2009 with the publication of the first River Basin Management Plans. Updated 2022 plans were published on 22 December 2022. These require specific actions on the part of Regulated Companies, to be undertaken within defined timescales. These actions include improving water recycling treatment works at various locations, and working with the EA to modify abstraction licences for certain areas to achieve more sustainable levels of abstraction. These programmes of measures necessitate Regulated Companies incurring material expenditure. However, these measures were captured in the WINEP and received funding approval through the Periodic Review process. Spreadsheets showing the full programmes of measures and detailing the

involvement of individual Regulated Companies for each River Basin Management Plan can be viewed on the EA website.

The EA is responsible for monitoring and reporting on the objectives of the Water Framework Directive on behalf of the UK Government. The EA works with Ofwat, local government, NGOs and a wide range of other stakeholders including local businesses, water companies, industry and farmers in order to achieve the objectives under the Water Framework Directive. It is noteworthy that many of the investments driven by the Water Framework Directive may also increase the level of carbon emissions of Regulated Companies.

Jurisprudence from the European Court of Justice, notably in the case of *Bund fur Umwelt und Naturschutz Deutschland* (Judgment) [2015] EUECJ C-461/13, indicate that a Member State must refuse to grant authorisation for a development project where the project might either worsen the status of a body of water, or jeopardise its attainment of good surface water status. This judgment makes it clear that in order to comply with the Water Framework Directive, Member States must not simply set out a high level statement of intent by preparing River Basin Management Plans but must also intervene to refuse to authorise projects which would jeopardise a body of water. The expectation is that Member States will also seek to achieve the objectives set out in their River Basin Management Plans by imposing additional conditions in environmental permits. On 23 September 2022 DEFRA published ministerial guidance on river basin planning for the EA (minor amendments have been made as recently as 17 January 2024) and on 22 December 2022 published a series of river basin management plans.

To comply with the Water Framework Directive, the UK should have ensured that all its waters achieved at least "good status" by 2015, or, on the grounds that achieving a 'good' status was either disproportionately costly or technically unfeasible, set out alternative standards and/or a timetable for the achievement of these by no later than 2027. Current achievement (less than 20 per cent. of water bodies in England according to the most recent assessment of water body status in 2019) and many areas without plans in place for achieving good status implies, if not long-term noncompliance, then either a substantial relaxation of objectives or further investment cycles with considerable investment in the future. The next comprehensive update of classifications in water bodies will occur in 2025.

The Water Framework Directive also has 'subsidiary Directives' of which the one most likely to drive substantial investment is that regarding Environmental Quality Standards (2008/105/EC, usually referred to as the "**Priority Substances Directive**"). The Priority Substances Directive entered into force on 13 January 2009 and introduces environmental quality standards for water. It was, for the most part, transposed into UK law through Directions to the EA (the River Basin Districts Typology, Standards and Groundwater Threshold Values (Water Framework Directive) (England and Wales) Direction 2010 and the River Basin Districts Surface Water and Groundwater Classification (Water Framework Directive) (England and Wales) Direction 2009). The directive replaced five existing directives, and sets harmonised quality standards for 33 'priority' substances (those which are most harmful to the aquatic environment, such as mercury), thereby translating the concept of "good status" into transparent numerical values. The Priority Substances (Amendment) Directive 2013 (2013/39/EU) added twelve new substances to the 'priority' substances list and added three pharmaceuticals to a 'watch list' of emerging pollutants. Article 8 of the Directive requires the European Commission to develop a strategic approach to pollution of water by pharmaceutical substances, which they published in March 2019 setting out six areas of action to address the impact of pharmaceuticals on the environment. Under the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017, the Secretary of State and the EA (amongst others) must exercise their relevant functions to ensure compliance with the Environmental Quality Standards laid down in the Priority Substances Directive (as amended).

Groundwater Directive

A groundwater directive (the "**Groundwater Directive**") was adopted in December 2006. Under the Groundwater Directive, Member States are required to monitor and assess groundwater quality on the basis of common criteria and to identify and reverse trends in groundwater pollution. If groundwater quality is improved, Regulated Companies may benefit from reduced costs in cleaning abstracted water.

Commission Directive 2014/80/EU amended the Groundwater Directive, altering the methodology for Member States to follow in calculating threshold values for pollutants in water, extending the list of pollutants for which Member States must set threshold values and amending the information Member States must provide in river basin management plans.

The Groundwater Directive is implemented through the EP Regulations 2016 (as amended). This regime may generate compliance costs to meet the requirements to protect, enhance and restore groundwater bodies and to reverse any significant upward trends of pollutants.

Industrial Emissions Directive

The IED came into force on 6 January 2011 and has been implemented through the environmental permitting regime in England and Wales, which is described above.

The Habitats and Birds Directives

Directive 92/43/EEC on the conservation of natural habitats and wild flora and fauna, (the "**Habitats Directive**") and Directive 2009/147/EC on the conservation of wild birds (the "**Birds Directive**") (the codified version of its predecessor Directive 79/409/EEC) establish a network of areas protected by designation across Europe called "Natura 2000" to conserve endangered habitats classified as special protection areas ("**SPA**") under the Birds Directive and Special Areas of Conservation ("**SAC**") under the Habitats Directive. AWL owns or has an interest in sites which are directly affected by such designations and also conducts operations from sites adjacent to areas which are protected, which could materially affect operations and the ability to abstract water in or adjacent to such designated areas. The designation of SPAs and SACs, pursuant to the Habitats Directive, may negatively impact upon a Regulated Company's plans for future sites or operations. This risk is significantly increased by the effects of climate change, such as the increasing risk of drought.

EU Floods Directive

Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks (the "**EU Floods Directive**") was adopted by the European Council and entered into force on 26 November 2007. The aim of the EU Floods Directive was to establish a framework for the assessment and management of flood risks, aiming to reduce the adverse consequences to human health, the environment, cultural heritage and economic activity.

The FWM Act implements the EU Floods Directive into UK law. The FWM Act makes provision for an extensive regime of flood management, concentrating on prevention and preparation rather than on reaction once a flood occurs. The FWM Act requires local authorities and certain other public bodies with local environmental responsibility including the EA to create a National Flood and Coastal Erosion Risk Management Strategy, which several organisations must follow. The last National Flood and Coastal Erosion Risk Management Strategy was published in September 2020 in which was updated in June 2022 alongside the publication of a Flood and Costal Erosion Risk Management Strategy Roadmap to 2026. The FWM Act included several amendments to other legislation, which introduced, amongst other things, a revised approach to reservoir management; changes to the arrangements that would apply should a water company go into administration; an increased ability for water companies to control non-essential uses of water, such as the use of hosepipes and an ability for water companies to offer concessions to community groups for surface water drainage charges.

The EU Floods Directive required the UK to draw up flood risk maps establish flood risk management plans focused on prevention, protection and preparedness. The EU Floods Directive shall be carried out in coordination with the Water Framework Directive, notably by flood risk management plans and river basin management plans being coordinated, and through coordination of the public participation procedures in the preparation of these plans. All assessments, maps and plans prepared must be made available to the public. On 12 December 2022, the EA published updated flood risk management plans for the eight river basin districts.

Competition in the Water Industry

General

Each Regulated Company currently effectively holds a geographic monopoly within its appointed area for the provision of water and sewerage services, although there is some limited competition as set out in further detail below (e.g. in relation to non-household customers). Ofwat has concurrent powers with the CMA to apply competition law on anti-competitive practices and abuses of a dominant position to ensure a level playing field in the industry. In March 2017, Ofwat published guidance on its approach to applying the Competition Act and the corresponding provisions in Articles 101 and 102 of the Treaty on the Functioning

of the European Union in the water and wastewater sector in England and Wales. Ofwat has stated that it will use its powers under the Competition Act to investigate and prohibit anti-competitive practices and abuses of a dominant position to ensure a level playing field in the industry.

Ofwat has a duty to consider whether the exercise of its powers under the Competition Act is more appropriate before using its powers under the WIA to promote competition.

The current main methods for introducing competition are:

(a) from 1 April 2017, all non-household customers are able to choose their water and/or sewerage supplier;

(b) new appointments and variations (NAVs) – where one company can replace another as the statutory undertaker for water and/or sewerage services in a specified geographical area within the other Regulated Company's appointed territory. NAVs can be granted for sites which do not already receive public water and/or sewerage services, sites on which premises use or are likely to use at least 50 mega litres of water per annum, or where the incumbent undertaker agrees to transfer part of its service area to a different company. In September 2018, Ofwat published a revised version of its application guidance and application form for NAVs, containing minor amendments to the earlier version;

(c) facilitating developers, or their contractors, to provide new water mains and service pipes instead of asking Regulated Companies to do the work ("self-lay"). The Water Act 2003 introduced a statutory framework for self-lay (see below). This has been further bolstered by (i) a new developer charging rule, binding from April 2022, requiring Regulated Companies charges to reflect the cost of the relevant service and (ii) the removal of many contestable activities from the Price Control in the AMP8 period, which will serve to make it both unlawful and uneconomic to maintain cross subsidies;

(d) water supply licence (with wholesale authorisation) – when a water supply licensee introduces water into the supply system and supplies water to its customer's eligible premises (i.e. its non-household customer) using a Regulated Company's network (referred to as "common carriage"). All Regulated Companies maintain access codes which set out the conditions, including indicative access prices, under which licensees may introduce water into their networks. The sections of the WIA dealing with common carriage have been altered by the Water Act 2014, but those alterations have not yet been fully implemented;

(e) water supply licence (retail) – when a water supply licensee purchases wholesale supplies of water from the incumbent water undertaker and supplies water at the retail level to non-household premises. The water supply and sewerage licensing ("**WSSL**") regime was introduced by the Water Act 2014. Regulated Companies publish a wholesale charges scheme detailing charges to be levied on retailers, who then compete for customers' business based on price and other terms;

(f) cross-border supplies (raw/treated water and sewage/bio-resource) – where a customer in an area adjacent to a neighbouring Regulated Company's service area can connect to another Regulated Company's network and receive a supply;

(g) private suppliers or private sewers including on-site water and effluent treatment;

(h) Competition Act – Ofwat has a statutory power to investigate and prohibit anti-competitive practices and abuses of a dominant position to ensure a level playing field in the industry; and

(i) from 2020, emerging markets in water resources, bio-resources, leakage detection and demand management.

In May 2019, Ofwat announced that it considered that there were numerous, reoccurring examples of incumbent Regulated Companies failing to support the development of effective markets (particularly the markets for business retail and developer services) by either giving insufficient thought to the potential impact of their actions or inaction, or active opposition or delaying of initiatives that are aimed at improving such markets. Ofwat therefore published a letter sent to incumbent Regulated Companies outlining its plans to encourage the development of effective markets. The letter explains that Ofwat promotes the targeted use of markets where these can deliver additional benefits for customers and society (the letter provides

various examples of action it is taking to reiterate its expectations of the role that incumbent water companies have in supporting the development of effective markets). As a result, Ofwat decided to monitor incumbent Regulated Companies over a period of a few months to evaluate their engagement and support for initiative aim at driving improvements, and the development of new markets.

In August 2020, Ofwat published a report detailing the outcome of this review of incumbent support for markets in the water sector. This covered the market for non-domestic retail, NAVs and development sites, as well as new markets for water resources and bioresources. Ofwat continues to encourage incumbent companies to support the development of market and outlined further incremental policy proposals for 2020 and 2021, with a focus on increased harmonisation across the industry (e.g. on tariff structures).

On 12 October 2023, the CMA published Guidance on the application of Chapter I of the Competition Act to environmental sustainability agreements. Ofwat will have regard for the CMA's environmental sustainability guidance in the application of AWL's concurrent competition powers.

Future Direction of Competition

Ofwat completed its initial assessment of the costs and benefits of extending retail competition to residential water customers in England in 2016. In its final report to government, 'Costs and benefits of introducing competition to residential customers in England', published in September 2016, Ofwat states that the introduction of competition in the residential retail market in England would be likely to result in a net benefit. In its strategic priorities and objectives for Ofwat, published in September 2017, DEFRA noted that Ofwat should work with the government to develop the evidence base further, in order to enable the government to understand fully the case for extending competition to households. Ministers will then take a decision on whether or not to introduce competition in the household retail market. There is no mention of extending competition to household customers in the updated Strategic Priorities Statement which the government published in 2022.

An element of upstream competition has been introduced via information provisions pursuant to recent modifications to Regulated Companies' licences. These are intended to support the development and operation of markets in water resources, demand management, leakage services and bio-resources through the promotion of effective competition and by monitoring the progress and development of those markets. Licence modifications have been made to ensure that Regulated Companies do not show undue preference or discrimination in these new markets.

This represents an opportunity for new sources of water to be brought forward to market and utilised by AWL to secure water supplies. However, there were no suitable options brought forward by third parties that were included in AWL's WRMP for 2024.

In addition to information provisions in the licences of Regulated Companies, Ofwat has previously stated its intention to act via price regulation, in particular:

- to introduce separate binding price controls for sludge/bio-resource treatment, transportation and recycling/disposal and water resources, which it did at PR19;
- to allocate parts of the RCV to bio-resources and water resources, which it did at PR19;
- to introduce a new access pricing framework for water resources in relation to the networks of English water companies;
- to inform, enable and encourage greater use of markets in the financing and provision of new assets by third parties; and
- to inform, enable and encourage greater use of markets in the financing and provision of new assets by third parties by means of "direct procurement".

The measures set out above are not all directly applicable to AWL as a "water only company".

Ofwat also intends to use its new powers under the Water Act 2014 to establish rules for pricing bulk supplies, in particular to new NAV appointees. Ofwat has issued guidance on this topic but has yet to issue formal rules.

Merger Regime

The WIA imposes a duty on the CMA to refer completed and anticipated water mergers (for which purpose a "merger" includes any acquisition of the ability materially to influence the policy of another water company by another water company or by a person who already holds such ability in respect of another water company). Exceptions apply to small mergers, i.e. where the value of the turnover of the water enterprise being taken over does not exceed or would not exceed £10 million, or where the only water enterprises already belonging to the person making the takeover are enterprises each of which has a turnover the value of which does not, or would not, exceed £10 million. In determining whether such a merger operates, or may be expected to operate, against the public interest, the CMA must assess whether the merger prejudices Ofwat's ability to make comparisons between different water companies. If the CMA decides there is a prejudicial outcome (i.e. that the merger has prejudiced, or may be expected to prejudice, the ability of Ofwat to make comparisons), it must decide whether action should be taken to remedy, mitigate or prevent that prejudice and, if so, what action. Remedies may be structural (i.e. the total or partial prohibition of a proposed merger, or the total or partial divestiture of the acquired water enterprise; or divestiture of another water company held by the acquiring company) or behavioural (such as amendments to a Regulated Company's licence or a requirement to maintain separate management). In deciding on remedies, the CMA may have regard to any relevant customer benefits in the form of lower prices, higher quality, greater choice or innovation, of the merger under consideration. The CMA takes the final decision on remedial action, and this decision can be appealed to the Competition Appeal Tribunal by any person sufficiently affected by the decision. Depending on the turnover of the parties involved, such mergers may require notification to the European Commission under the EU merger regime. In such circumstances, the CMA may still be able to investigate the effect of the merger, in order to protect the UK's legitimate national interests.

Following reforms introduced by the Water Act 2014, exceptions to the CMA's duty to refer a water merger for a Phase II investigation arise where the CMA believes that:

(a) the merger is not likely to prejudice Ofwat's ability to make comparisons between water undertakings; or

(b) such prejudice is likely to occur, but is outweighed by relevant customer benefits.

The CMA must ask Ofwat to give an opinion about whether these criteria are met. Ofwat must give its opinion in accordance with a pre-prepared "statement of methods", which it is obliged keep under review. The statement of methods document is designed to give clarity about the criteria Ofwat will use in giving opinions under the Water Act 2014.

In cases of an acquisition of a Regulated Company by a company which is not already a Regulated Company or where the special water merger regime does not otherwise apply, generally applicable merger control rules will apply.

Depending on the turnover of the parties involved, transactions involving acquisitions of or by water companies may require notification to the European Commission under the EU merger regime.

The CMA may have jurisdiction to investigate the merger under the general UK merger control regime contained in the Enterprise Act. Under that regime, the CMA must refer the transaction for a Phase II investigation if it believes there is a realistic prospect that the arrangement could be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services. If, following a Phase II investigation, the CMA concludes that the arrangement may be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services it may impose appropriate remedies. In its investigations in respect of transactions in the water sector, the CMA is likely to consult with Ofwat.

In certain limited circumstances, the Secretary of State may also refer a merger to the CMA for a Phase II investigation into whether the arrangement could be expected to operate against the public interest. The National Security and Investment Act 2021 could also apply.

Market Investigation Regime

The Enterprise Act contains the power for the CMA to investigate markets where it (or, in some circumstances, a minister or Ofwat) has reasonable grounds for believing that competition in that market is

not effective. The reference by the CMA, the relevant minister or Ofwat will describe the goods or services and will indicate the feature(s) that relate to such goods or services that it believes have adverse effects on competition. The CMA will be responsible for remedies (which may include structural separation). However, where there are public interest considerations, the Secretary of State may intervene and remedy any adverse effects in the name of the public interest.

Regulatory Developments

Bulk supply and discharge pricing

In its November 2017 paper "New connections charges rules from April 2020 – England: Decision Document", Ofwat set out a new approach to:

(a) requisition charges (where Regulated Companies lay new infrastructure at developers' request);

(b) asset payments (where Regulated Companies pay for water mains laid by a developer);

(c) charges for new infrastructure laid by Regulated Companies to enable new NAV appointees to take a bulk supply from, or make a bulk discharge to, an incumbent Regulated Company;

(d) payments for new infrastructure laid by new NAV appointees to enable them to take a bulk supply from, or make a bulk discharge to, an incumbent Regulated Company; and

(e) infrastructure charges (which are a one-off charge levied by Regulated Companies each time premises are connected to the water or sewerage network).

In order to provide a "level playing-field" between Regulated Companies, developers and new NAV appointees, Ofwat proposed to set out rules whereby:

(a) deductions from the standard infrastructure charge will replace asset payments and payments for infrastructure laid by new NAV appointees; and

(b) additions to the standard infrastructure charge will replace requisition charges and charges for infrastructure laid by Regulated Companies to facilitate new NAVs.

These arrangements were confirmed in Ofwat's July 2019 decision document "Charging rules for new connections and new developments for English companies" and took effect in April 2020.

In 2023, Ofwat recognised that these deductions from the standard infrastructure charge:

(a) because of the Price Control, did not serve the original purpose of the "income offset" – that Regulated Companies should compensate developers for the benefit of the additional income stream from those new customers (since there is little or no benefit); and

(b) aligned poorly with the DEFRA's strategic principle that developers should bear the full costs associated with their developments.

Accordingly, having discouraged their application immediately, it prohibited their application from April 2025 (save where subject to an existing contractual obligation).

Ofwat also proposed to produce guidance that it would apply to any dispute about bulk charges between an incumbent water company and a NAV. It proposed that Regulated Companies will apply a "wholesale-minus" approach to charges for ongoing water supplies and bulk sewerage services, meaning the application of household wholesale tariffs less the costs that Regulated Companies would no longer incur if a NAV supplied the new development instead. These arrangements were confirmed in Ofwat's May 2018 paper "Bulk Charges for NAVs: Final Guidance".

In July 2020 Ofwat consulted on its approach to regulating bulk charges paid by new appointees. Following consultation, it published further guidance in January 2021 "*Bulk charges for new appointees – conclusions on revising our guidance*" which set out its approach to determining bulk charges in the case of a determination and the expected behaviours of larger water companies.

The effect of the change of approach to infrastructure charges is to spread the current proportion of the overall cost of infrastructure for new development among all developers whomever they choose to deal with, whether Regulated Companies, new NAV appointees, or self-lay providers. Ofwat's intention is to boost the market for self-lay and new NAV appointees although there appears to be the possibility of adverse cash flow consequences, particularly for developers and self-lay providers.

From 1 April 2025, incumbents may offer discounts to the infrastructure charge for new developments that achieve high environmental standards, such as those expected to achieve water consumption of 110 litres per occupant per day or lower. The cost of providing such discounts is met by increasing the infrastructure charge for new properties that do not meet such standards. Therefore, the operation of environmental incentives is not expected to have a material effect on AWL's financial position.

The Retail Exit Code Consultation

In March 2018, Ofwat released a consultation titled "Retail Exit Code: Price protections beyond March 2020" (the "**REC Consultation**"). The Retail Exit Code, which became effective in April 2017, sets out requirements for price and non-price terms in the default tariffs offered to non- household water and sewerage customers in England that have not yet engaged with the recently opened retail market. The price requirements were linked to PR16 which expired at the end of March 2020. In December 2018, Ofwat published a further consultation on price protections beyond March 2020, together with a consultation on the requirements in relation to non-price terms in the Retail Exit Code.

In July 2019, Ofwat published a decision in which it indicated that it would prioritise protections for customers, support the market where it is best able to flourish, work with industry to resolve market frictions, and review the position again in the medium-term (which it indicated would be within two to three years). In particular, Ofwat decided to retain protections for the lowest-usage customers at a similar level, implement amended protections for medium-usage customers, and implement an obligation for companies to treat higher-usage customers in a reasonable and non-discriminatory manner but without specific protections.

Updated guidance on trading and procurement codes

In May 2018, Ofwat released its guidance on trading and procurement codes titled "Trading and procurement codes – guidance on requirements and principles". This guidance covers the requirements and principles that must be addressed in trading and procurement codes for water companies to claim water trading incentives for new trades. Ofwat has revised its guidance to reflect market developments and to provide greater clarity on the requirements for claiming incentives for new trades from 2020-2025. Ofwat has streamlined the approval process for new codes, which will now involve a four-week public consultation and, if no comments are received, automatic approval. Ofwat may conduct an annual review of approved codes and provide further guidance to companies by the end of June each year. In June 2023, an updated version of the guidance was published, which contains some minor updates to reflect Ofwat's decision to maintain the water trading incentive in its current form for PR24, as outlined in Appendix 2 of the PR24 Final Methodology.

Customers' Interests

General

Ofwat is responsible for protecting the interests of customers. It monitors the performance and level of service of Regulated Companies and the implementation of a "guaranteed standards scheme" in respect of customer care.

Guaranteed Standards Scheme

The Government's guaranteed standards scheme is underpinned by regulations made under sections 38(2) to (4), 95(2) to (4) and section 213 of the WIA, which prescribe standards of performance in matters such as the keeping of appointments with customers, dealing with enquiries and complaints from customers, giving notice of interruption of supply and installation of meters.

If a Regulated Company does not meet any of the prescribed standards, the customer is entitled to compensation, normally in the region of £20 for domestic customers and £20 or £50 for business customers

within 10 working days of the incident. The availability of such compensation is in addition to any other remedy the customer might have.

The Water Act 2014 extends guaranteed service standards (minimum service standards and payments for service failures) for household and non-household customers to all licensees operating in the retail market. They are periodically updated, the latest of which was introduced in April 2017. The changes predominantly relate to updating compensation for interruptions to water supply.

In August 2024 the government published a consultation on changes to the Guaranteed Standards Scheme to improve baseline customer service standards and protection in the water and sewerage sector. These changes include roughly doubling payment values contained within the scheme (typically from £20 to £40) and broadening the set of standards which warrant payments. The new standards proposed by the consultation would compensate customers where companies took incorrect debt actions, were slow to install a meter, failed to read meters, failed to provide a promised service or support to a customer registered on the PSR or had to issue a 'boil' or 'do not drink' notice in the event of a water quality failure.

Consumer Council for Water

The CCW is a non-departmental public body whose role is to provide advice and represent consumers on water matters and sewerage, and to handle complaints made against Regulated Companies in England and Wales. The Water Act 2014 gave CCW some addition responsibilities, which involve being consulted on developments in relation to the non-household retail market.

CCW consists of a national Council, known as the Board, and two regional Committees for England and for Wales respectively.

Code for Adoption Agreements

In its "Code for Adoption Agreements" of November 2017, Ofwat required Regulated Companies operating mainly in England to agree, in consultation with developers and self-lay providers, a standard set of arrangements for adopting water and sewerage infrastructure laid by developers. These arrangements are to take the form of "Sector Guidance", setting out the procedure for entering into self-lay and adoption agreements, and a "Model Adoption Agreement" setting out the contractual terms. Regulated Companies submitted sector guidance and a model adoption agreement for water infrastructure in January 2019 and for sewerage infrastructure in March 2019. Following a number of revisions, Ofwat approved the water sector documents in 2020 and has indicated that they will become "live" on 1 January 2021 and apply to all new pre-development enquiries and applications from this date. The sewerage sector documents were approved by Ofwat in 2019 and became "live" from 1 April 2020.

Among the detail of this Code was a requirement for companies to set certain standards for the self lay process, and provide "redress" for failing to meet those standards. The sector guidance submitted provides for a much greater number of metrics to be reported to Water UK (the water industry trade association) and published, with redress payments for individual failings as well as a right to a written explanation, escalated through company management where appropriate.

It is hoped that the sector guidance and model agreements will deal with any shortcomings in and impediments to the self-lay market. It does, however, appear to be a matter of strong consensus among companies that the new financial incentives based on developer satisfaction will achieve far more than any redress available under the self-lay sector guidance, which has been designed to complement those incentives, rather than repeat them.

Proposed New Instrument of Appointment Condition

As discussed in this Chapter, in July 2024 Ofwat formally consulted on a change to the licence, enabling Ofwat to publish a Final Determination for the price review process for the 2025-30 period up to 31 January 2025, rather than by 31 December 2024 (as is currently prescribed in Condition B).

Ofwat has announced its intention to introduce a licence condition which will require water companies to publish certain information about their operations in an open data format, where conditions regarding confidentiality, security, etc. are met. Informal discussions are being held with operators within the industry. Ofwat's intention is to make the open data licence modification by March 2025.

CHAPTER 7
OVERVIEW OF THE FINANCING AGREEMENTS

Security Trust and Intercreditor Deed

General

The intercreditor arrangements in respect of the Financing Group (the "**Intercreditor Arrangements**") are contained in the STID and the CTA. The Intercreditor Arrangements bind each of the Secured Creditors and the Subordinated Creditors and each of the Obligors.

The Secured Creditors include any Additional Secured Creditors that may accede or have acceded to the STID after the Initial Issue Date. Any new Authorised Credit Provider will be required to accede to the STID and the CTA.

Unsecured creditors (other than the Subordinated Creditors) may not become parties to the Intercreditor Arrangements and, although ranking behind the Secured Creditors in an administration or other enforcement as a matter of law, will have unfettered independent rights of action in respect of their debts. However, the aggregate amount of unsecured Financial Indebtedness is restricted under the CTA.

The purpose of the Intercreditor Arrangements is to regulate, among other things (i) the claims of the Secured Creditors and the Subordinated Creditors; (ii) the exercise, acceleration and enforcement of rights by the Secured Creditors; (iii) the procedures by which the Secured Creditors can instruct the Security Trustee to exercise certain rights or take certain steps in respect of the Common Documents and to regulate their rights in respect of a Standstill (see section "– *Standstill*" below); (iv) the rights of the Secured Creditors to instruct the Security Trustee; (v) the Discretion Matters, the Entrenched Rights and the Reserved Matters of the Secured Creditors and the Enhanced Rights Matters; and (vi) the giving of consents and waivers and the making of modifications to the Common Documents.

The Intercreditor Arrangements also provide for the ranking in priority of payment of the claims of the Secured Creditors, both before and after any enforcement of the Security, and for the subordination of all claims of Subordinated Creditors or claims among the Financing Group (other than claims in respect of the Programme Issuer/AWL Loan Agreements and the Existing Issuer/AWL Loan Agreements) funded through Senior Debt. Each Secured Creditor (other than the Security Trustee acting in such capacity) and each Obligor gives certain undertakings in the STID which serve to maintain the integrity of these arrangements.

Modifications, Consents and Waivers

The Transaction Agent is entitled to request the Security Trustee to concur in making any modification, giving any consent or granting any waiver under or in respect of any Common Document. Any such proposal or request will constitute a "**STID Proposal**".

STID Proposal

Each STID Proposal shall be by way of notice in writing to the Security Trustee and shall certify whether such STID Proposal:

(i) is in respect of a Discretion Matter, a Voting Matter or an Enhanced Rights Matter; and

(ii) whether it gives rise to an Entrenched Right.

Where a STID Proposal gives rise to an Entrenched Right, it shall specify the Secured Creditors in whose favour (in the reasonable opinion of the Transaction Agent) such STID Proposal gives rise to an Entrenched Right or who are affected by such Entrenched Right and as such whose consent is required for such modification, consent and/or waiver.

STID Voting Request

Each STID Voting Request will contain detailed provisions for raising objections to a matter determination made by the Transaction Agent in any STID Proposal as to whether such STID Proposal gives rise to a Voting Matter and/or gives rise to an Entrenched Right.

Discretion Matters

The Security Trustee, following receipt of a STID Proposal from the Transaction Agent may (but is not obliged to) and subject to Entrenched Rights, without the consent or sanction of any other Secured Creditor, as requested by the Transaction Agent by way of STID Proposal, concur with the Transaction Agent and any other relevant party in any proposed modification to, or give any consent or grant any waiver under or in respect of, any term of any Common Document to which the Security Trustee is a party or over which it has Security under the Security Documents if:

(i) in the opinion of the Security Trustee, it is required to correct a manifest error or it is of a formal, minor, technical or administrative nature; or

(ii) such modification, consent or waiver is not, in the opinion of the Security Trustee (having regard to its obligations and duties as trustee to the Secured Creditors pursuant to the STID), materially prejudicial to the interests of any of the Secured Creditors (where "**materially prejudicial**" means that such modification, consent or waiver would have a material adverse effect on the ability of the Obligors to repay the Secured Liabilities owed to the relevant Secured Creditors),

(each a "**Discretion Matter**").

The Security Trustee shall be under no obligation to exercise its discretion in respect of any STID Proposal designated by the Transaction Agent as a Discretion Matter and, if the Security Trustee chooses not to exercise its discretion, it shall notify the Transaction Agent, which may then issue a STID Proposal, referring to another category.

Enhanced Rights Matters

The Security Trustee shall (without any requirement to obtain the consent or sanction of any other Secured Creditor, but subject to Entrenched Rights) as requested by the Transaction Agent by way of a STID Proposal, concur with the Transaction Agent and any other relevant party with any proposed modification, amendment, consent or waiver in or under any Common Document that results in:

(i) an Obligor or Obligors becoming subject to additional covenants or covenants which are more restrictive (in each case other than financial covenants) than any covenants imposed on the relevant Obligors under the Common Documents;

(ii) an Obligor or Obligors giving, or being deemed to give, additional or more frequent representations or warranties or representations or warranties which are more extensive than any representation or warranty given or deemed to be given under the Common Documents;

(iii) any additional event or circumstance (other than relating to a financial covenant) giving rise to a Trigger Event; or

(iv) any additional event or circumstance (other than relating to a financial covenant) giving rise to an Event of Default,

(each, an "**Enhanced Rights Matter**") provided that (a) such modification, amendment, consent or waiver shall not impose any additional obligations on any Secured Creditor or the Security Trustee; and (b) each Secured Creditor shall have the benefit of each such additional or enhanced covenant, representation, warranty, Trigger Event or Event of Default.

Voting Matters

Other than with respect to a Discretion Matter or an Enhanced Rights Matter, and subject always to Entrenched Rights, the Security Trustee shall only agree to any modification or grant any consent or waiver if so instructed by the Majority Creditors, provided that the relevant Quorum Requirement has been met.

The STID contains detailed provisions setting out the voting and instruction mechanics in respect of the Voting Matters, including provisions specifying the relevant decision periods and quorum requirements.

Decision Period

Each STID Proposal shall specify the period of time within which the approval of the Security Trustee is sought (the "**Decision Period**") which, subject to the provisions of the STID, shall not be fewer than:

(a) in the case of any request in relation to a 20 Day Obligation (as such term is defined in the definition of "**Remedy Period**" in the MDA), 12 Business Days from the date of delivery of the STID Proposal to the Security Trustee; or

(b) in the case of any other matter, 15 Business Days from the date of delivery of the STID Proposal to the Security Trustee; or

(c) if the STID Proposal gives rise to an Entrenched Right and the Entrenched Right is one in respect of which the Bondholders of a Class or Sub-Class of Bonds and/or the Existing Issuer Bondholders are the Affected Secured Creditors, 45 days from the date of delivery of the STID Proposal to the Security Trustee,

provided that, in each case, for Voting Matters (whether or not giving rise to an Entrenched Right), the Decision Period shall be extended for a further period of 5 Business Days if the Quorum Requirement has not been met within the initial Decision Period.

Quorum Requirement for Voting Matters

The required quorum (the "**Quorum Requirement**") in respect of any Voting Matter shall be one or more Qualifying Secured Creditor(s) representing in aggregate at least 20 per cent. of the entire Outstanding Principal Amount of all Qualifying Debt, provided that, if the Quorum Requirement has not been met within the relevant initial Decision Period, during any Extension Period (as defined below), the Quorum Requirement shall be one or more Qualifying Secured Creditor(s) representing in aggregate at least 5 per cent. of the entire Outstanding Principal Amount of all Qualifying Debt.

If the Quorum Requirement has not been met within any initial Decision Period, the Security Trustee shall, promptly following the last day of the initial Decision Period, send a notice to all DIG Representatives of the Qualifying Class A Debt (or, following the repayment in full of all Qualifying Class A Debt, the Qualifying Class B Debt) and all other Secured Creditors (or, where applicable, their Secured Creditor Representatives) confirming that the relevant Quorum Requirement was not met on such date and specifying the extended date by which the votes of the DIG Representatives must be received by the Security Trustee in respect of the extended Decision Period (the "**Extension Period**") (to the extent not already received by the Security Trustee during the initial Decision Period).

Majority Creditors

If the Quorum Requirement for a Voting Matter is satisfied, a resolution in respect of a Voting Matter shall be passed by the Majority Creditors. Subject to the Entrenched Rights and the procedure for objecting to the determination of voting category made by the Transaction Agent in a STID Proposal, decisions of the Majority Creditors in relation to STID Proposals will bind the Secured Creditors in all circumstances provided that the relevant Quorum Requirement was met.

Class A Debt Instructing Group

Provided that the relevant Quorum Requirement has been met, decisions of the Majority Creditors will bind all of the Secured Creditors in all circumstances, save for certain Entrenched Rights (see section "*– Entrenched Rights and Reserved Matters*" below).

The following persons shall act as Class A DIG Representatives for the Qualifying Class A Creditors party to the agreements or arrangements set out below to exercise as the agent of the appointer or, in the case of the Bond Trustee or any successor Bond Trustee, as the case may be, as trustee of all of their rights under the Common Documents:

(a) in respect of each Authorised Credit Facility in respect of Class A Debt which is a bilateral agreement (by way of a loan, note certificate or otherwise), the relevant Qualifying Class A Creditor party to such Authorised Credit Facility;

(b) in respect of each Authorised Credit Facility in respect of Class A Debt which is a multi-lateral agreement (other than the Class A Bonds and the Existing Issuer Bonds but including any loan agreement or notes where the lenders or noteholders are represented by an agent), the facility agent (or equivalent agent appointed by all of the Authorised Credit Providers party to such Authorised Credit Facility);

(c) in respect of each Finance Lease designated as Class A Debt, the Finance Lessor party thereto;

(d) in respect of the Class A Bonds, the Bond Trustee; and

(e) in respect of the Existing Issuer Bonds, the Existing Issuer Bond Trustee.

Any Additional Secured Creditor which accedes to the STID and the CTA after the Initial Issue Date shall appoint the Class A DIG Representative identified above as its agent to exercise all the rights of such Additional Secured Creditor under the STID and the CTA.

Class B Debt Instructing Group

The provisions relating to the Class A Debt Instructing Group and the Class A DIG Representatives set out above apply, *mutatis mutandis*, to the Class B Debt Instructing Group and the Class B DIG Representatives.

The following persons will act as Class B DIG Representatives for the Qualifying Class B Creditors party to the agreements or arrangements set out below to exercise as the agent of the appointer or, in the case of the Bond Trustee or any successor Bond Trustee, as trustee of all of their rights under the Common Documents:

(a) in respect of each Authorised Credit Facility in respect of Class B Debt which is a bilateral agreement (by way of a loan, note certificate or otherwise), the relevant Qualifying Class B Creditor party to such Authorised Credit Facility;

(b) in respect of each Authorised Credit Facility in respect of Class B Debt which is a multi-lateral agreement (other than Class B Bonds but including any loan agreement or notes where the lenders or noteholders are represented by an agent), the facility agent (or equivalent agent appointed by all of the Authorised Credit Providers party to such Authorised Credit Facility);

(c) in respect of each Finance Lease designated as Class B Debt, the Finance Lessor party thereto; and

(d) in respect of the Class B Bonds, the Bond Trustee.

Any Additional Secured Creditor which accedes to the STID and the CTA after the Initial Issue Date shall appoint the Class B DIG Representative identified above as its agent to exercise all the rights of such Additional Secured Creditor under the STID and the CTA.

Bondholder Voting

In respect of any Voting Matter, each of the Bondholders shall be entitled to direct the bond trustee to vote on its behalf as its Secured Creditor Representative in accordance with the voting procedures set out in the relevant bond trust deed and the STID. Such voting procedures envisage that for any Voting Matter which does not give rise to an Entrenched Right of the Bondholders (a "**STID Direct Voting Matter**"), the Bondholders, as the case may be, may instruct the Bond Trustee without convening a meeting of Bondholders. The Security Trustee may, however, upon request by 10 per cent. of the Qualifying Secured Creditors, organise a physical meeting of relevant Qualifying Secured Creditors.

For any matter involving Entrenched Rights of the Bondholders, a meeting of Bondholders will be convened.

In respect of any STID Direct Voting Matter, direction given by the relevant Bondholder within the timeframes specified in the Bond Trust Deed, shall be binding on the Bond Trustee, and the Bond Trustee shall cast a vote accordingly on behalf of such Bondholder in respect of the relevant Voting Matter pursuant to the terms of the STID. Votes in respect of the relevant Class/Sub-Class will be divided between votes cast in favour and votes cast against, on a pound for pound basis in an amount equal to the aggregate Principal Amount Outstanding of each Bond, as the case may be, that voted on the STID Direct Voting

Matter within the relevant Decision Period. Votes cast in favour and votes cast against will then be aggregated by the Security Trustee with the votes cast for and against by the other Qualifying Secured Creditors.

In respect of any Entrenched Rights, where a meeting of Bondholdersis called, votes of the relevant Bondholders against such Entrenched Rights Matter shall be cast in an amount equal to the entire Principal Amount Outstanding of the relevant Class of Bonds. Only an Extraordinary Resolution passed by any Class of Bondholders shall be treated as a vote in favour of the relevant STID Proposal giving rise to the Entrenched Rights affecting the relevant Class of Bondholders.

For so long as any Senior Debt is beneficially owned by or on behalf of the Programme Issuer, the Existing Issuer, the other Obligors, any Subsidiary thereof, any Permitted Additional Issuer Subsidiary or any member of the Affinity Group (each of the foregoing being a "**Connected Party**") or for so long as a Connected Party has entered into a sub-participation agreement relating to any Senior Debt or other agreement or arrangement having substantially similar economic effect and such agreement or arrangement has not been terminated:

(a) in ascertaining the Majority Creditors or Quorum Requirement for any consent, waiver, amendment or other vote under the STID, the Outstanding Principal Amount of such Connected Party or that of any lender of record or equivalent under any sub-participation agreement or equivalent or arrangement shall be zero; and

(b) such Connected Party shall not be an Affected Secured Creditor.

A similar voting procedure will be available to the Existing Issuer Bondholders under the Existing Issuer Bond Trust Deed.

Hedging Counterparties

Each Hedging Counterparty is or will be a Secured Creditor party to the STID, the CTA and the Hedging Agreement pursuant to which such Hedging Counterparty provides hedging in respect of interest rate or currency risks or exposure to the inflation risks in relation to Class A Debt or Class B Debt, as applicable.

The Hedging Counterparties in respect of each Class A Hedging Agreement will not form part of the Class A DIG and the Hedging Counterparties in respect of each Class B Hedging Agreement will not form part of the Class B DIG.

See also sections "– *Cash Management*" and "– *Hedging*" below.

Liquidity Facility Providers

Each Liquidity Facility Provider is or will be a Secured Creditor and a party to the STID and the CTA and each Liquidity Facility Agreement constitutes or will constitute Class A Debt. The Liquidity Facility Providers will not form part of the Class A DIG or Class B DIG.

Finance Lessors

Each Finance Lessor is or will be a Secured Creditor and a party to the STID and the CTA and all amounts arising under the Finance Leases designated as Class A Debt or Class B Debt will constitute Class A Debt or Class B Debt, respectively.

Each Finance Lessor in respect of a Finance Lease designated as Class A Debt will form part of the Class A DIG and each Finance Lessor in respect of a Finance Lease designated as Class B Debt will form part of the Class B DIG.

As at the date of this Prospectus, there are no Finance Lessors.

Authorised Credit Providers

Each Authorised Credit Provider in respect of Class A Debt or Class B Debt, as the case may be, which is a bilateral agreement (by way of a loan, note certificate or otherwise) and which is a Qualifying Class A Creditor or a Qualifying Class B Creditor, as the case may be, and a party to such Authorised Credit Facility

will form part of the Class A DIG or the Class B DIG, respectively. In respect of each Authorised Credit Facility in respect of Class A Debt or Class B Debt which is a multi-lateral agreement (other than the Bonds or the Existing Issuer Bonds but including any loan agreement or notes where the lenders or noteholders are represented by an agent), the facility agent (or equivalent agent appointed by all of the Authorised Credit Providers party to such Authorised Credit Facility) in respect of such Authorised Credit Facility will form part of the Class A DIG or the Class B DIG, respectively.

Standstill

The STID provides for an automatic standstill of the claims of the Secured Creditors against AWL, the Programme Issuer and the Existing Issuer (the "**Standstill**") upon notification to the Security Trustee of an Event of Default occurring (other than, for the avoidance of doubt, an Event of Default as defined in any Hedging Agreement with respect to a Hedging Counterparty) in accordance with the provisions of the STID.

The Standstill is designed to reduce or postpone the likelihood of a Special Administration Order being made against AWL.

During the Standstill Period:

(a) none of the Secured Creditors will be entitled to give any instructions to the Security Trustee to take any Enforcement Action (but without prejudice to the ability of the Secured Creditors to demand payment) in relation to the Security granted by the Programme Issuer, the Existing Issuer or AWL;

(b) subject to the provisions on Permitted Share Pledge Acceleration, the Security granted by AWHL may be enforced at any time by the Security Trustee at the direction of the Majority Creditors (provided that the relevant Quorum Requirement has been met); and

(c) save as provided in sub-paragraphs (a) and (b) above, no Enforcement Action may be taken by any Secured Creditor.

Notwithstanding the restrictions described above, any monies received by the Obligors (other than AWHL) and all monies credited to the Accounts, will be applied in accordance with the cash management provisions contained in the CTA (see section "– *Cash Management*" below) and in accordance with the Payment Priorities (see section "– *Cash Management – Debt Service Payment Account*" below).

The period of the Standstill in respect of any Event of Default relating to AWL and/or the Programme Issuer and/or the Existing Issuer (the "**Standstill Period**") will be 18 months unless the Standstill Period is automatically extended beyond 18 months (see section "– *Standstill Extension*" below) or any of the following occurs prior to the expiry of the relevant Standstill Period:

(a) an order is made for the Special Administration of AWL or any steps are taken to commence insolvency proceedings against the Programme Issuer or the Existing Issuer other than proceedings that are commenced by the Security Trustee;

(b) (during the first 18 months of the Standstill Period) Class A DIG Representatives in respect of 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Class A Debt or (following the repayment in full of the Qualifying Class A Debt) Class B DIG Representatives in respect of 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Class B Debt vote (pursuant to a Direction Notice) to terminate the Standstill Period (see section "– *Standstill Extension*" below); or

(c) the waiver or remedy of the relevant Event of Default giving rise to the Standstill Period (such waiver or remedy, a "**Standstill Remedy**").

The occurrence of a Standstill will not of itself prevent the Programme Issuer or the Existing Issuer drawing under the DSR Liquidity Facilities.

Upon termination of a Standstill Period (except by virtue of the Standstill Remedy), each Secured Creditor will be entitled to exercise all rights which may be available to it under any Finance Document to which it

is a party (other than any Security Document) including directing the Security Trustee to take Enforcement Action.

Standstill Extension

A Standstill Period which has commenced upon the occurrence of an Event of Default in relation to AWL and/or the Programme Issuer and/or the Existing Issuer will be automatically extended beyond 18 months:

(a) for a further 120 days, unless Class A DIG Representatives in respect of 50 per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Class A Debt vote to terminate the Standstill Period at any time prior to or during such further 120 days;

(b) following the period referred to in sub-paragraph (a) above, for a further 60 days unless Class A DIG Representatives in respect of 33⅓ per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Class A Debt vote (pursuant to a Direction Notice) to terminate the Standstill Period at any time prior to or during such further 60 days; and

(c) following the period referred to in sub-paragraph (b) above, for successive periods each of 60 days unless Class A DIG Representatives in respect of 10 per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Class A Debt vote (pursuant to a Direction Notice) to terminate the Standstill Period at any time prior to or during such further 60 days, (and a vote shall be taken of the relevant DIG Representatives on the basis of such Outstanding Principal Amount on the expiry of each subsequent period of 60 days for so long as the Standstill Period continues as to whether the Standstill Period should continue for a further period of 60 days).

When the Qualifying Class A Debt has been fully repaid, the rights to terminate the Standstill Period as described above shall be vested in the Class B DIG Representatives.

The Standstill Period in respect of any Event of Default will terminate upon the date of the relevant Standstill Remedy.

Enforcement

At any time after any of the Security Documents has become enforceable in accordance with its terms (including, for the avoidance of doubt, after any Permitted Share Pledge Acceleration), the Security Trustee shall (in the case of the Security granted by each of AWL, the Programme Issuer and the Existing Issuer, subject to the Standstill provisions) enforce the Security in accordance with the instructions of the Majority Creditors if it is so instructed by the Majority Creditors (subject to the relevant Quorum Requirement being met).

Subject to certain matters and to certain exceptions, following an enforcement, any proceeds of enforcement or other monies held by the Security Trustee under the STID (excluding monies credited to the Excluded Accounts) will be applied by the Security Trustee in accordance with the Payment Priorities (see section "*– Cash Management – Debt Service Payment Account*" below).

Excluded Accounts

Although pursuant to the Security Agreement, AWL, the Programme Issuer and the Existing Issuer created first fixed charges over the Excluded Accounts in favour of the Security Trustee, the STID provides that on and following an Acceleration of Liabilities (other than a Permitted Lease Termination, Permitted Hedging Termination or Permitted Share Pledge Acceleration), all monies held in any Swap Collateral Account, the O&M Reserve Accounts (to the extent of the balance attributable to a Standby Drawing under the relevant O&M Reserve Facility), the Debt Service Reserve Accounts to the extent of the balance attributable to a Standby Drawing under the relevant DSR Liquidity Facility and any Cash Cover Account (together, the "**Excluded Accounts**") will be held by the Security Trustee on trust for the relevant Hedging Counterparty or guarantor thereof that has provided collateral for its obligations or, as the case may be, the relevant Liquidity Facility Providers whose commitments have been drawn by way of the relevant Standby Drawing or, as the case may be, the relevant Issuing Bank or relevant Authorised Credit Provider. The trust held by the Security Trustee over amounts in the O&M Reserve Accounts or the Debt Service Reserve Accounts by way of the relevant Standby Drawing is in the proportions that the relevant Liquidity Facility Providers' respective drawn amounts under the relevant O&M Reserve Facility Agreement or, as the case may be,

DSR Liquidity Facility Agreement by way of a Standby Drawing bear to the balance on the relevant O&M Reserve Account or the relevant Debt Service Reserve Account, as the case may be.

Accession of Additional Secured Creditors

The STID requires that, to the extent that the Transaction Agent wishes any person to obtain the benefit of the Security and become a Secured Creditor and to accede as a party to the CTA and the STID, the Transaction Agent must notify the Security Trustee thereof. Each such proposed Additional Secured Creditor must, together with the Transaction Agent and, where applicable, the Secured Creditor Representative of such proposed Additional Secured Creditor, sign an Accession Memorandum whereby it agrees to be bound by the terms of the STID and the CTA, including those provisions which prohibit individual Secured Creditors from taking action without the consent of the Majority Creditors.

Subordinated Creditors

The STID also contains provisions restricting the rights of Subordinated Creditors in respect of any Subordinated Debt of an Obligor from time to time. The STID contains mechanics requiring any creditor in respect of Subordinated Debt to accede to the STID as a Subordinated Creditor.

Entrenched Rights and Reserved Matters

As described above, modifications, consents and waivers will be agreed to by the Security Trustee, in accordance with the Discretion Matter, Voting Matter or Enhanced Rights Matter procedure, but subject always to Entrenched Rights.

If a STID Proposal states that the proposal is in respect of an Entrenched Right then unless each Affected Secured Creditor votes in favour of the proposal in accordance with the mechanics set out in the STID during the Decision Period then the STID Proposal shall not be passed and the Security Trustee shall not concur with the Obligors or any other person in making the consents, modifications or waivers proposed in the STID Proposal unless each Affected Secured Creditor has confirmed to the Security Trustee its approval of the relevant modification, consent or waiver. However, if such time period has passed since such Affected Secured Creditor was notified of such Entrenched Right and such Affected Secured Creditor has not responded to the STID Proposal, such person or persons shall be deemed to have consented to the relevant STID Proposal and to have confirmed to the Security Trustee their approval of the relevant modification, consent or waiver.

In the case of the Qualifying Bondholders, an Extraordinary Resolution in favour of such proposal must be passed at a meeting of Bondholders in accordance with the Bond Trust Deed. For the avoidance of doubt, individual Bondholders shall not be entitled to assert an Entrenched Right other than through the Bond Trustee. The same protections are available to the Existing Issuer Bondholders.

The parties to a Finance Document (which is not a Common Document) (an "**Other Finance Document**") may agree to any modification to, give its consent under or grant any waiver in respect of any matter under that Other Finance Document without the consent of any other party to the Common Documents provided that, if such modification, consent or waiver is inconsistent with any provisions of the CTA or the STID, the relevant provision of the CTA or the STID shall prevail.

Lists of Entrenched Rights and Reserved Matters are contained in the sections "*Entrenched Rights*" and "*Reserved Matters*" below.

Overriding principle

No Entrenched Right will operate to override the provisions contained in the CTA which allow amendment to the level of any Financial Ratio contained within each of the Financial Covenants, the Trigger Events or the Events of Default, where such amendment is made in accordance with the terms of the CTA (including following the occurrence of a Senior RAR Restructuring Event), or which is required to reflect a change to accounting standards in accordance with the CTA.

Entrenched Rights

Entrenched Rights are rights that, subject to the provisions set out in the STID, can only be modified, consented to or waived in accordance with the STID if the Secured Creditor having the Entrenched Right votes in favour of such modification or waiver.

Entrenched Rights of Class A Creditors

The Entrenched Rights of the Class A Creditors include any proposed modification to, or consent or waiver under or in respect of, any term of the STID and/or any other Common Document which:

(i) would result in an increase in or would adversely modify its obligations or liabilities under or in connection with any Common Document;

(ii) would:

(a) release any of the Security (unless at least equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the STID and the relevant Security Document; or

(b) adversely alter the rights of priority of or the enforcement by the relevant Class A Creditor (or, where applicable, its Secured Creditor Representative) under the Security Documents other than as expressly contemplated therein; or

(c) in respect of a Class A Creditor, decrease the amount of that Class A Creditor's share of the Secured Liabilities which are secured by means of the Security; or

(d) in respect of a Class A Creditor, deprive such Class A Creditor of its status as a Secured Creditor;

(iii) would:

(a) adversely change or would have the effect of adversely changing the Payment Priorities (including by amending any of the defined terms referred to in the Payment Priorities if to do so would have the aforementioned effect); or

(b) adversely change or would have the effect of adversely changing the ranking of the claims of the relevant Class A Creditor; or

(c) change or would have the effect of changing any requirement set out in any Finance Document that certain payments, applications or distributions should be made in accordance with the Payment Priorities;

(iv) would change or would have the effect of changing:

(a) the Entrenched Rights or the Reserved Matters (including by changing any relevant definitions) or the existence thereof; or

(b) (where applicable) the relevant Class A Creditor's Entrenched Rights or Reserved Matters (including by changing any relevant definitions) or the existence thereof; or

(c) any statement in any provision of any Finance Document that such provision is subject to an Entrenched Right or Reserved Matter; or

(d) the manner in which such Entrenched Rights or Reserved Matters may be exercised or the consequences of exercising such Entrenched Rights or Reserved Matters,

(in each case including any supplement to the Entrenched Rights of an Additional Secured Creditor as specified in the relevant Accession Memorandum);

(v) would change or would have the effect of changing:

(a) the definitions of:

(1) "Authorised Credit Facility",

(2) "Authorised Credit Provider",

(3) "Class A Creditor",

(4) "Class A DIG",

(5) "Class A DIG Representative",

(6) "Direction Notice",

(7) "DIG Representatives",

(8) "Discretion Matter",

(9) "Finance Documents",

(10) "Majority Creditors",

(11) "Qualifying Class A Creditor",

(12) "Qualifying Debt",

(13) "Qualifying Secured Creditor",

(14) "Secured Creditor" or

(15) "Voting Matter",

in each case insofar as such change would remove, or would have the effect of removing, the relevant Class A Creditor from the relevant definition;

(b) "Secured Liabilities" insofar as such change would remove, or would have the effect of removing, the Class A Debt of such Class A Creditor from the definition of "Secured Liabilities";

(c) "Qualifying Class A Debt"; insofar as such change would remove, or would have the effect of removing, the Outstanding Principal Amount of Qualifying Class A Debt of such Class A Creditor from time to time from the definition of "Qualifying Class A Debt";

(d) "Voted Qualifying Class A Debt" insofar as such change would remove, or would have the effect of removing, the Outstanding Principal Amount of Qualifying Class A Debt voted by or on behalf of such Class A Creditor from time to time from the definition of "Voted Qualifying Class A Debt"; or

(e) "Decision Period", "Quorum Requirement", "Restricted Payment", "Restricted Payment Condition", "Secured Liabilities" or "STID Proposal"; or

(f) the use of the relevant defined terms referred to in paragraph (v)(b) above in any Common Document in a manner which would affect the rights or interests of any Class A Creditor;

(vi) would change or would have the effect of changing those matters expressly requiring the consent, approval or agreement of, or directions or instructions from, or waiver by the Majority Creditors or the Security Trustee;

(vii) would change or would have the effect of changing the percentages of the aggregate Outstanding Principal Amount of Qualifying Class A Debt required to terminate a Standstill pursuant to the STID (as described under section "– *Standstill Extension*" above);

(viii) subject to paragraph (ix) below, would change or would have the effect of changing:

(a) any of the Events of Default or the consequences of an Event of Default as set out in the CTA;

(b) any of the Trigger Events relating to the Financial Ratios or any of the Trigger Event remedies provided for in the CTA;

(c) any of the Financial Ratios (save for the amendments made following a Periodic Review or any transfer of activities or any reduction in RCV as a result of any change in price control methodology or any material damage in the regulation of the water industry in the United Kingdom or specifically permitted under the CTA) or any of the provisions relating to the making of the Restricted Payments;

(ix) would waive any non-payment Event of Default or an Event of Default relating to the financial ratios or any Trigger Event relating to the financial ratios or the making of the Restricted Payments;

(x) would approve an assignment of any rights or a transfer of any obligations of an Obligor under the STID or any other Common Document (other than as contemplated in any Common Document);

(xi) would change or would have the effect of changing the provisions of the STID limiting general discretion of the Obligors or the Security Trustee in respect of the Voting Matters, Entrenched Rights or matters subject to an ongoing disagreement in respect of designation by the Transaction Agent; or

(xii) would change or would have the effect of changing the governing law or the dispute resolution clauses of any Common Document,

where "adversely" means, in respect of any change to the Payment Priorities or other rights of priority, a change which has the effect of changing the priority of the Class A Creditors or any of them: (x) relative to each other, or (y) relative to any amount owed to any creditor ranking *pari passu* with or in priority to the Class A Creditors or any of them, or (z) relative to any amount owed to any creditor which ranks subordinate to the Class A Creditors or any of them, where such change would result in the relevant amounts ranking *pari passu* with, or in priority to, any amount owed to any Class A Creditor.

Entrenched Rights of Class B Creditors

The Entrenched Rights of the Class B Creditors mirror those rights applicable for Class A Creditors *mutatis mutandis*.

Other Secured Creditors' Entrenched Rights

The Security Trustee, the Finance Lessors and the Hedging Counterparties have certain other limited Entrenched Rights in relation to any provisions of the Common Documents that generally affect them to a greater extent than others.

Reserved Matters

Reserved Matters are matters which, subject to the Intercreditor Arrangements and the CTA, a Secured Creditor and/or its respective Secured Creditor Representative is free to exercise in accordance with its own facility arrangements and so are not exercisable by or by direction of the Majority Creditors.

Those Reserved Matters which the Secured Creditors and/or their respective Secured Creditor Representatives reserve to themselves to decide upon are each and every right, power, authority and discretion of, or exercisable by, the Secured Creditors and/or their respective Secured Creditor Representatives at any time:

(a) to receive any sums owing to it for its own account in respect of premia, fees, costs, charges, liabilities, damages, proceedings, claims and demands in relation to any Authorised Credit Facility or Finance Document to which it (or its Secured Creditor Representative) is a party as permitted pursuant to the terms of the CTA;

(b) to make determinations of and require the making of payments due and payable to it under the provisions of the Authorised Credit Facilities or Finance Document to which it (or its Secured Creditor Representative) is a party as permitted by the terms of the CTA;

(c) to receive notices, certificates, communications or other documents or information under the Finance Documents or otherwise;

(d) to assign its rights or transfer any of its rights and obligations under any Authorised Credit Facility or Finance Document to which it (or its Secured Creditor Representative) is a party;

(e) in the case of each Finance Lessor, to inspect the relevant Equipment, to make calculations under the financial schedules (or equivalent provisions thereunder relating to the calculation of Rental or termination sums) to the relevant Finance Lease and to terminate the relevant Finance Lease provided such termination is a Permitted Lease Termination;

(f) in the case of each Hedging Counterparty, to terminate the relevant Hedging Agreement provided such termination is a Permitted Hedging Termination; and

(g) in the case of any Secured Creditor, to make a Permitted Share Pledge Acceleration, upon enforcement of the share pledge provided by AWHL pursuant to the provisions of the Security Agreement with the prior consent of the Majority Creditors (provided that the relevant Quorum Requirement has been met).

The Security Trustee, the Bond Trustee, the Existing Issuer Bond Trustee and the Hedging Counterparties also have certain Reserved Matters under the STID in relation to the matters that affect them more than other Secured Creditors.

Substitution of the Programme Issuer

The Bond Trust Deed provides for the procedure of substitution of the Programme Issuer (or any substituted Programme Issuer) in certain circumstances. Affinity Water Finance PLC was incorporated on 13 November 2018 to substitute Affinity Water Programme Finance Limited, a fellow company of the wider group of companies headed by Daiwater Investment Limited, registered in the Cayman Islands, with a UK registered entity. Following a STID Proposal approved by the Majority Creditors on 6 December 2018, the Programme Issuer was substituted pursuant to a master implementation deed dated 8 January 2019 ("**Master Implementation Deed**") and the assets and liabilities of Affinity Water Programme Finance Limited were transferred to Affinity Water Finance PLC on 22 January 2019.

Intercompany Loan Arrangements

Programme Issuer/AWL Loan Agreements

All Financial Indebtedness raised by the Programme Issuer from time to time other than the raising of debt under DSR Liquidity Facilities will be backed by an aggregate nominal amount of debt owed by AWL to the Programme Issuer under a loan agreement (each a "**Programme Issuer/AWL Loan Agreement**"). Each advance under a Programme Issuer/AWL Loan Agreement will relate to the principal amount of the relevant Sub-Class of Bonds issued by the Programme Issuer on an Issue Date.

The Programme Issuer's obligations to repay principal and pay interest on the Bonds are intended to be met primarily from the payments of principal and interest received from AWL under each Programme Issuer/AWL Loan Agreement and, where it has hedged its exposure to such payments under a Hedging Agreement, from payments received by the Programme Issuer under such Hedging Agreement. The business of AWL demonstrates the capacity to produce funds to service any payments due and payable under the Programme Issuer/AWL Loan Agreements.

All advances to be made by the Programme Issuer under the Programme Issuer/AWL Loan Agreements will be in a currency and in amounts and at rates of interest (plus, in respect of the Programme Issuer/AWL Loan Agreement, a retained margin of £1,000 per annum), set out in the relevant Final Terms or, if hedged by the Programme Issuer in accordance with the Hedging Policy (see section "– *Hedging*" below), at the hedged rate and will have interest payment dates on the same dates as the related Bonds. Interest on each advance made under a Programme Issuer/AWL Loan Agreement will accrue from the date of such advance. In addition, each advance will be repayable on the same date as the related Bonds.

At the date of this Prospectus, the Programme Issuer is not a party to any Hedging Agreements.

Existing Issuer/AWL Loan Agreements

All Financial Indebtedness raised by the Existing Issuer from time to time, excluding the raising of debt under DSR Liquidity Facilities will be backed by an aggregate nominal amount of debt owed by AWL to the Existing Issuer under a loan agreement (the "**Existing Issuer/AWL Loan Agreement**"). As such, the Existing Issuer/ AWL Loan Agreement is a source of funds capable of servicing any payments due and payable on the Bonds.

The Existing Issuer's obligations to repay principal and pay interest on the Existing Issuer Bonds are intended to be met primarily from the payments of principal and interest received from AWL under the Existing Issuer/AWL Loan Agreement. The business of AWL demonstrates the capacity to produce funds to service any payments due and payable under the Existing Issuer/AWL Loan Agreements.

The advance made by the Existing Issuer under the Existing Issuer/AWL Loan Agreement applicable to the Existing Issuer Bonds will be in a currency and in an amount and at a rate of interest (plus a retained margin of £1,000 per annum) or, if hedged by the Existing Issuer in accordance with the Hedging Policy (see section "– *Hedging*" below), at the hedged rate and will have interest payment dates on the same dates as the Existing Issuer Bonds. Interest on each advance made under an Existing Issuer/AWL Loan Agreement will accrue from the date of such advance. The advance made under the initial Existing Issuer/AWL Loan Agreement will be repayable on the same date as the Existing Issuer Bonds.

At the date of this Prospectus, the Existing Issuer is not a party to any Hedging Agreements.

Fees Generally

The Programme Issuer is responsible for paying certain fees, costs, and expenses of, amongst others, the Bond Trustee, the Paying Agents, the Registrar, the Transfer Agents, the Agent Bank, the Bond Trustee's legal advisers and the Programme Issuer's legal advisers and the Arranger's legal advisers and certain fees due to the DSR Liquidity Facility Provider (together with the Existing Issuer).

AWL is responsible for paying the fees and expenses of the Arranger, the Arranger's legal advisers, the O&M Reserve Facility Provider and (together with the other Secured Creditors) the Security Trustee.

In respect of the period after the Initial Issue Date, AWL (i) by way of facility fees under the Programme Issuer/AWL Loan Agreements, has paid or will pay to the Programme Issuer amounts equal to the amounts required by the Programme Issuer to pay its ongoing fees and expenses under the Finance Documents (together with an annual amount of £1,000 to be retained by the Programme Issuer as a profit); and (ii) by way of facility fees under the Existing Issuer/AWL Loan Agreements, has paid or will pay to the Existing Issuer amounts equal to the amounts required by the Existing Issuer to pay its ongoing fees and expenses under or in connection with the Existing Issuer Bonds and its tax liabilities as they fall due (together with an annual amount of £1,000 to be retained by the Existing Issuer as a profit).

Common Terms Agreement

General

On the Initial Issue Date, each of the Existing Hedging Counterparties, the Security Trustee, the Cash Manager, the Standstill Cash Manager, the Existing Authorised Credit Providers, each Obligor, the Bond Trustee, the Existing Issuer Bond Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar and others entered into a common terms agreement (as amended from time to time, the "**Common Terms Agreement**" or "**CTA**"). The CTA sets out the representations, covenants (positive, negative and financial), Trigger Events and Events of Default which will apply to each Authorised Credit Facility (including, for the avoidance of doubt, the Programme Issuer/AWL Loan Agreements and the Existing Issuer/AWL Loan Agreements, the Existing Authorised Credit Facilities, the Hedging Agreements and any other document entered into in connection with an Authorised Credit Facility).

It is a term of the CTA that any representation, covenant (to the extent of being able to declare an Event of Default), Trigger Event and Events of Default contained in any document which is in addition to those in the CTA and any other Common Document and any other exception expressly set out in the CTA will be unenforceable (save for limited exceptions which will, among other things, include covenants relating to

the purpose of an Authorised Credit Facility, covenants relating to indemnities, covenants to pay (including related payment mechanics), covenants relating to remuneration, costs and expenses, representations and covenants in each Class or Sub-Class of Bonds, "clean-down" provisions in any Revolving Credit Facility, certain provisions under the Hedging Agreements and any Finance Leases and any additional representations or covenants as may be required in connection with a Private Placement).

The CTA allows AWL (following a Periodic Review or any transfer of activities or any reduction in RCV as a result of any change in price control methodology or any material change in the regulation of the water industry in the United Kingdom) to amend any financial ratio contained within the covenants, Trigger Events or Events of Default, provided that the Security Trustee (acting on the instructions of the Majority Creditors) agrees and the relevant ratings set out in the definition of Rating Requirement (in relation to the Class A Bonds) have been affirmed by all Rating Agencies then rating the Bonds (provided that in circumstances where a Rating Agency is not willing to issue a rating affirmation due to its then prevailing policy regarding the issue of rating affirmations, AWL has certified in writing to the Security Trustee that, in its opinion (and where the relevant Rating Agency was prepared to consult with AWL this opinion is based on consultation with such Rating Agency) such amendment would not cause the ratings of the Bonds to be downgraded below the relevant ratings set out in the definition of Rating Requirement by such Rating Agency).

The CTA also sets out the cash management arrangements which apply to the Financing Group (see section "*– Cash Management*" below) and the Hedging Policy with which each Hedging Agreement entered into must comply with (see section "*– Hedging – Hedging Policy*" below). It is a requirement of the CTA that future providers of Authorised Credit Facilities must also accede to the CTA and the STID.

A summary of the representations, covenants, Trigger Events and Events of Default to be included in the CTA is set out below.

Representations

On the date of the CTA and on the Initial Issue Date, each Obligor made a number of representations in respect of itself to each Finance Party. Additionally, certain representations will be repeated by the relevant Obligor on (i) the date upon which any new Authorised Credit Facility is entered into; and (ii) the date upon which any new Bonds are issued under the Programme (the "**Initial Date Representations**"). Certain representations will also be repeated by the relevant Obligor on: (i) the date of each utilisation request in respect of an Authorised Credit Facility and the first day of any borrowing; (ii) each payment date in respect of an Authorised Credit Facility; and (iii) each date for making a Restricted Payment (the "**Repeated Representations**").

The representations given by each Obligor are subject, in some cases, to agreed exceptions, customary qualifications and to qualifications as to materiality and reservations of law, and include, *inter alia*, representations as to:

(i) *Corporate Status and Powers*: its corporate status, power and authority and certain other legal matters;

(ii) *Non-conflict*: non-conflict with documents binding on it, constitutional documents or laws;

(iii) *Financial Statements*: no event having occurred or circumstance having arisen since the date of the last financial statements which has a Material Adverse Effect (except for any announcement of K from time to time);

(iv) *No Default or Potential Trigger Event*: no Default or Potential Trigger Event being outstanding or will result from entry into and performance under the Transaction Documents and no other event or circumstance is outstanding which constitutes (or with the expiry of a grace period, the giving of a notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which would have a Material Adverse Effect;

(v) *Authorisations*: it obtaining all necessary consents and approvals;

(vi) *Status of Security*: its ownership of, or interests in, the assets over which it has created Security Interests under the Security Documents and which are material to the operation of its Business;

(vii) *Insurances*: maintaining all necessary insurances;

(viii) *No winding-up*: there being no insolvency event in relation to it (other than any proceeding or claim which is being contested in good faith and is not outstanding for longer than 60 days);

(ix) *Compliance with laws*: the conduct of its business not violating any judgment, law or regulation which, if enforced would have a Material Adverse Effect;

(x) *Taxation*: the due payment of all taxes save to the extent any tax payment is being disputed in good faith;

(xi) *No deduction or withholding*: under the laws of its jurisdictions of incorporation and tax residence in force on the Initial Issue Date, it is not (other than as disclosed) required to make any deduction or withholding from certain payment of interest under the Finance Documents (as set out in the CTA);

(xii) *Ranking of Secured Claims*: subject to reservations of law, the claims of the Secured Creditors ranking prior to the claims of its other unsecured and unsubordinated creditors;

(xiii) *Negative Pledge and Financial Indebtedness*: no Security Interest having been created or existing other than Permitted Security Interests and no indebtedness incurred other than Permitted Financial Indebtedness and, in the case of AWL only, Permitted Volume Trading Arrangements;

(xiv) *No litigation*: save as otherwise disclosed herein (or in any updated Prospectus or supplement hereto) no litigation proceedings current, pending or threatened;

(xv) *Environmental Compliance*: compliance with Environmental Laws and the absence of environmental claims;

(xvi) *Arm's length terms*: all arrangements or contracts with any person being on an arm's length basis;

(xvii) *Financial Indebtedness*: on the Initial Issue Date, no member of the Financing Group being liable in respect of any Financial Indebtedness that is not Senior Debt, except for certain Permitted Financial Indebtedness;

(xviii) *Security Shares*: on the date such representation is made, the shares over which Security will be granted pursuant to the Security Agreement are validly issued, fully paid, non-assessable and freely transferable in accordance with the constitutional documents of the relevant Obligor and constitute shares in the capital of limited companies, and there are no moneys or liabilities outstanding or payable in respect of any such share;

(xix) *Intellectual Property*: in the case of AWL, to the best of its knowledge having made due and careful enquiry in accordance with the Good Industry Practice, it having the right to use all Intellectual Property Rights necessary for the conduct of its Appointed Business;

(xx) *Assumptions*: in the case of AWL, assumptions used in respect of financial ratio calculations and projections having been made in good faith and arrived at after careful consideration, being consistent with the financial information required to be produced by AWL and, subject to the provisions on changes to accounting standards, being materially consistent with Applicable Accounting Principles and the Good Industry Practice;

(xxi) *Special Administration*: in the case of AWL, it being unaware of a petition having been presented pursuant to section 24 of the WIA or a winding-up petition having been presented as referred to in section 25 of the WIA, or any Special Administration Order having been made in respect of it;

(xxii) *Pensions*: in the case of AWL, it being a participating employer under the Permitted Existing Pension Schemes, and save for certain exemptions, all of its liabilities accrued and to accrue in the future under the Permitted Existing Pension Schemes being connected with the Obligors only; and

(xxiii) *U.S. Representations*: certain matters in connection with any offering of the private placement bonds to be offered to investors in or connected to the United States of America.

Additionally, each of the Programme Issuer and the Existing Issuer represented that its activities were limited prior to the Initial Issue Date to those required in connection with its formation and capitalisation (in the case of the Programme Issuer) or those related to the incurrence of and performance in relation to the Existing Issuer Bonds (in the case of the Existing Issuer) as required by their bankruptcy remote status.

In connection with any new Authorised Credit Facility, the Transaction Agent may agree with the relevant Authorised Credit Provider to disapply any of the representations in respect of the terms of such new Authorised Credit Facility and no consent of the Secured Creditors shall be required in respect of such disapplication provided that their rights are not affected.

Covenants

The CTA contains certain positive, negative and financial covenants from each of the Obligors. A summary of the covenants which are included in the CTA (subject, in some cases, to agreed exceptions, *de minimis* amounts and qualifications as to materiality and reservations of law) is set out in sections "*Information Covenants*", "*General Covenants*" and "*Financial Covenants*" below.

In connection with any new Authorised Credit Facility, the Transaction Agent may agree with the relevant Authorised Credit Provider to disapply any of the covenants (other than the financial covenants) in respect of the terms of such new Authorised Credit Facility and no consent of the Secured Creditors shall be required in respect of such disapplication provided that their rights are not affected.

Information Covenants

(i) AWL has undertaken to provide, from time to time, certain information including:

(a) information, which would reasonably be expected by AWL to result in a Material Adverse Effect, which it supplies to Ofwat;

(b) details of proposed material changes to the Instrument of Appointment or any proposed changes to the constitutional documents of any Obligor which, if implemented, would reasonably be expected by AWL to have a Material Adverse Effect;

(c) details of any investigations or proceedings which would reasonably likely have a Material Adverse Effect;

(d) any notice (including an Enforcement Order) from any governmental authority or industry regulator received by AWL which (save that in the case of an Enforcement Order) would reasonably be expected by AWL to have a Material Adverse Effect and which relates to creditworthiness of AWL or its ability to perform its duties under the Instrument of Appointment;

(e) certain other material information about the business and financial condition of each of the Obligors as may be requested or required to be delivered from time to time; and

(f) information within AWL's possession in relation to any public announcement of K which has or would reasonably be expected to have a Material Adverse Effect.

(ii) The Transaction Agent (on behalf of itself and each other Obligor) has undertaken to provide, within the timeframe agreed in the CTA:

(a) audited unconsolidated financial statements of each Obligor and (in respect of AWL only) its unaudited unconsolidated interim financial statements.

(b) copies of all material documents dispatched by it to its creditors generally;

(c) details of any litigation or other proceedings which are current, threatened or pending and which, alone or in aggregate, could reasonably be expected to give rise to a claim against AWL exceeding the greater of (i) 1 per cent. of the RCV; or (ii) £10,000,000 (indexed) A7.8.3

and which, if adversely determined, would be reasonably likely to have a Material Adverse Effect;

(d) details of any Obligor and/or Senior Debt placed on credit watch with negative implications with a view to a possible downgrade of such Obligor and/or the Senior Debt below Investment Grade;

(e) notification of any Default and Potential Trigger Event;

(f) details of any event which could give rise to an insurance claim in excess of the greater of (i) 0.25 per cent. of RCV, and (ii) £5,000,000 (indexed);

(g) details of any event which would be reasonably likely, in the reasonable opinion of AWL, to have a Material Adverse Effect;

(h) a Compliance Certificate to be accompanied by computations made in respect of the historical and forward-looking Financial Ratios as required by the CTA (and the Transaction Agent shall permit the Security Trustee to investigate the calculations contained in any Compliance Certificate);

(i) sufficient copies of each Investor Report, which shall include such additional information (financial, accounting and regulatory), including details of the infrastructure renewals expenditure, as in AWL's reasonable opinion will allow investors to relate the relevant financial ratios contained in that Investor Report and the Compliance Certificate to the most recent Final Determination and the Financial Statements supplied with it (including any regulatory depreciation, pay-as-you go ratio/percentage, totex or RCV information and any opex, capex or other accounting information); and

(j) to deliver a certificate upon reasonable request by the Security Trustee certifying that no Default is outstanding of which it is aware, having made all reasonable enquiries, or, if a Default is outstanding, specifying the Default and the steps (if any) taken or proposed to be taken to remedy such event.

General Covenants

Covenants of the Obligors

Each Obligor has undertaken, among other things:

(i) *Ranking of Secured Claims*: to ensure that the secured claims of Secured Creditors against it under the Finance Documents will rank (subject to the Reservations) to the extent that they are secured pursuant to a Security Agreement, prior to the claims of all its other unsecured and unsubordinated creditors;

(ii) *Conduct of business*: to operate and maintain its business in a safe, efficient and business-like manner and in accordance with its memorandum and articles of association and the Finance Documents and, in the case of AWL, the Instrument of Appointment (in all material respects), the WIA and (taking its Business as a whole) Good Industry Practice;

(iii) *Compliance with laws*: within a reasonable period of time, to comply in all material respects with all applicable laws, regulations and orders to which it is subject (unless otherwise consented to or approved by any governmental authority or industry regulator (including Ofwat and DEFRA));

(iv) *Structure of the Financing Group*: to ensure that, save as otherwise agreed by the Security Trustee and save for any Permitted Acquisitions or Permitted Disposals, the corporate ownership structure of the Financing Group (other than the ownership or Control of AWHL) remains as at the date of the original CTA;

(v) *Mergers*: not to enter into any corporate amalgamation, demerger, merger, consolidation or reconstruction other than as agreed by the Security Trustee (except, in the case of AWL, a Permitted Disposal or a Permitted Acquisition);

(vi) *Financial Indebtedness*: not to incur any Financial Indebtedness other than Permitted Financial Indebtedness or, in the case of AWL, Permitted Volume Trading Arrangements;

(vii) *Acquisitions and Investments*: (A) not to make any acquisition or investment other than Permitted Acquisitions, Authorised Investments and Permitted Joint Ventures or as otherwise permitted under the terms of the CTA, in each case, without the consent of the Security Trustee; and (B) not to establish any joint venture other that a Permitted Joint Venture without the consent of the Security Trustee;

(viii) *Amendments to documents*: not to change its constitutional documents without the prior written consent of the Security Trustee if such change would be reasonably likely to have a Material Adverse Effect or otherwise materially prejudice the Security Interests created by the Security Documents (provided that any amendment to increase the authorised share capital of an Obligor shall be deemed not to have a Material Adverse Effect or to be otherwise materially prejudicial to the Security Interests);

(ix) *Treasury Transactions*: not to enter into any Treasury Transaction other than (i) in the case of the Programme Issuer, the Existing Issuer or AWL pursuant to Hedging Agreements; (ii) any Treasury Transactions entered into between Obligors; and/or (iii) Treasury Transactions entered into by AWL in accordance with Good Industry Practice to manage risk inherent in its business for non-speculative purposes only and not in respect of any Financial Indebtedness;

(x) *Tax affairs*: outside the ordinary course of its business and except in connection with a Permitted Tax Loss Transaction or the AWL VAT Group or pursuant to any Finance Lease Document, not to enter, without the consent of the Security Trustee, into any arrangements with any other company or person (other than a taxation authority in respect of the taxation liabilities of such Obligor or any other Obligor or pursuant to the Finance Documents) relating to Tax;

(xi) *Litigation*: not to compromise or settle any claim, litigation or arbitration without prior notification to the Security Trustee if any such compromise or settlement would be reasonably likely to have a Material Adverse Effect;

(xii) *Authorisations and corporate status*:

(a) as soon as reasonably practicable to obtain and maintain all governmental and regulatory consents, licences, authorisations and approvals (including, where applicable, the Instrument of Appointment) necessary for the conduct of its business, for entry into and performance of the Finance Document, as a whole in accordance with Good Industry Practice (unless otherwise consented to or approved by any governmental authority or industry regulator (including Ofwat and DEFRA));

(b) to do nothing which would be reasonably likely to lead to the termination, suspension or revocation of any such consents, licences, authorisations and approvals referred to in paragraph (a) above; and

(c) do all such things as are necessary to maintain its corporate status,

in each case where failure to do so would be reasonably likely to have a Material Adverse Effect or, in the case of paragraph (c) above only, which would otherwise adversely affect the Security Interests of the Secured Creditors;

(xiii) *Negative pledge*:

(a) not to:

(1) create or allow to exist any Security Interest on the Equipment or any of its present or future revenues or assets other than Permitted Security Interests; or

(2) create or enter into any restriction or prohibition on the creation or granting of, any Security Interest on any of its assets except as permitted by the Common Documents;

(b) not to:

(1) sell, transfer or otherwise dispose of any of its assets on terms where it may be leased to or reacquired or acquired by an Associate other than Permitted Disposals or (in the case of AWL) pursuant to a Finance Lease or sell, transfer or otherwise dispose of any of its receivables (other than Permitted Book Debt Disposals); or

(2) purchase any asset on terms providing for a retention of title by the vendor or on conditional sale terms or on terms having a like substantive effect to any of the foregoing,

except for (i) with respect to paragraph (b)(2) above, assets acquired in the ordinary course of its business carried on in the normal course, provided that such transaction is not entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset or (ii) with respect to paragraph (b)(1) above, where the transaction is not entered into primarily as a method of raising finance and the consideration in respect of such sales, leases, transfers or disposals is received in cash in full at the time and does not exceed an amount equal to 0.1 per cent. of RCV in aggregate at any time;

(xiv) *Disposals*: not to dispose of all or any part of the Equipment or its undertaking, revenues, business or assets other than a Permitted Disposal, a Permitted Joint Venture or pursuant to the creation of a Permitted Security Interest;

(xv) *Tax affairs*:

(a) not to change its tax residence from the United Kingdom; and

(b) to pay all Taxes for which it or another Obligor is primarily liable prior to penalties being incurred unless payment of or liability to those Taxes is being contested in good faith by appropriate means which permit the deferral of payment and/or an adequate reserve has been set aside for payment of those Taxes;

(xvi) *Arm's length terms*: not to enter into any arrangement or contract with any person other than another member of the Financing Group otherwise than on an arm's length basis other than:

(a) those disclosed to the Security Trustee on or before the Initial Issue Date;

(b) pursuant to or permitted under the Common Documents;

(c) as a result of a Permitted Emergency Action (in which case AWL shall use reasonable endeavours to ensure that all arrangements and contracts entered into will be on arm's length basis, although AWL will not be required to obtain alternative competitive quotes);

(d) subject to certain requirements, the Shared Services Agreement;

(e) subject to certain requirements, pursuant to the Transitional Agreements; and

(f) those approved by Ofwat.

Additional covenants of AWHL

Additionally, AWHL has undertaken, amongst other things:

(i) not to carry on or transact any business or other activity other than (A) ownership of the shares in members of the Financing Group held by it from time to time; (B) the giving of the guarantee and security in accordance with the Finance Documents; (C) the performance of obligations required or exercise of any rights under the Finance Documents (including the declaration of payment of any Restricted Payment permitted under the Finance Documents and the entry into Permitted Tax Loss Transactions in accordance with the Tax Deed of Covenant); (D) receiving the Intra-Group Debt Service Distributions (if any); and (E) carrying out any Permitted Post Closing Events;

(ii) not to own any asset or incur any liabilities except for the purposes of carrying on its business in accordance with the Finance Documents and applicable law and regulation;

(iii) not to incur Financial Indebtedness (other than certain categories of Permitted Financial Indebtedness and, in the case of Subordinated Debt, only to the extent that Subordinated Debt is entered into with another member of the Affinity Group) to any member of the Affinity Group or any Affiliate or be a lender in respect of Financial Indebtedness of any member of the Affinity Group or any Affiliate unless the occurrence of such Financial Indebtedness is in compliance with the Restricted Payment Condition;

(iv) not to declare, make or pay any Restricted Payments otherwise than as permitted under the Finance Documents and only out of monies received by it, directly or indirectly, from AWL which have been properly paid by AWL as a Distribution or as set out under the CTA; and

(v) not to take any steps to enforce any claims it may have against any other Obligor without the prior written consent of the Security Trustee.

Additional Covenants of AWL

Additionally, AWL has undertaken, among other things:

(i) *Restricted Business of AWL and the Existing Dormant Subsidiaries*: (a) to ensure that the nature of its business is limited to the Business; and (b) to procure that none of the Existing Dormant Subsidiaries will carry on or transact any business or other activity, own any assets or incur any liabilities other than (A) as required by applicable law or regulation; or (B) as required in connection with the winding-up, liquidation or dissolution of such company;

(ii) *Business identity*: to conduct its Appointed Business in the name of AWL or under any such other name or names (but not through a separate legal entity) as AWL shall determine and to ensure that separation of the Financing Group from any member of the Non-Financing Group (or Associate thereof other than members of the Financing Group) is maintained at all times by holding out members of the Financing Group (including any divisions thereof) as separate legal entities from members of the Non-Financing Group (or Associate thereof) other than members of the Financing Group (provided always that nothing shall prohibit or restrict the use of "Affinity" in the name of any member of the Affinity Group);

(iii) *Operation of business*: (A) not to permit, agree to or recommend any suspension of all or a material part of the operation of its Appointed Business, or the abandonment of all or a material part of its Appointed Business, unless such suspension or abandonment is in accordance with the Instrument of Appointment; and (B) if it exceeds the Permitted Non-Appointed Business Limits, to ensure that it complies with Permitted Non-Appointed Business Limits within six months of the date on which the Permitted Non-Appointed Business Limits are first exceeded so that the Permitted Non-Appointed Business Limits are complied with on the next Calculation Date immediately following the expiry of the relevant six-month period;

(iv) *Compliance with Instrument of Appointment*: to comply in all material respects with the Instrument of Appointment save to the extent that Ofwat has waived or approved such non-compliance;

(v) *Amendments to Instrument of Appointment*: save where such amendment or variation is mandatorily required by law or regulation, not to agree to any amendment or variation of the Instrument of Appointment which would reasonably be expected to have a Material Adverse Effect;

(vi) *Non-Executive Directors*: to maintain at least three non-executive directors who are not employees or directors of any Associate (save as disclosed in writing to the Security Trustee on the Initial Issue Date or as otherwise approved by the Security Trustee), provided that it shall not be a breach of this undertaking where any vacancies arise out of exceptional circumstances or of the resignation or removal of any such director where a new non-executive director is appointed within six months of the date on which such resignation or removal becomes effective;

(vii) *Environmental Matters*: to comply with all relevant Environmental Laws and Environmental Approvals applicable to it where failure to do so would be reasonably likely to have a Material Adverse Effect and to notify the Security Trustee, as soon as reasonably practicable upon becoming aware of the same, of any Environmental Claim that is current which if substantiated, is reasonably likely either to have a Material Adverse Effect or result in any material liability for a Finance Party;

(viii) *Insurances*: to effect and maintain those insurances as are required under the CTA;

(ix) *Outsourcing policy*: in relation to: (A) the procurement process for and the terms of any Outsourcing Agreements; and (B) decisions in relation to whether or not to outsource functions, to act in accordance with (i) Good Industry Practice; and (ii) all applicable laws and regulations (including Public Procurement Rules, to the extent applicable to the relevant Outsourcing Agreement);

(x) *Performance obligations*: to ensure it has adequate financial and management resources to enable it to discharge its core obligations under the Instrument of Appointment and, in respect of performance obligations which are either passed on to a Contractor or are outsourced, it has retained sufficient control to discharge its obligations under the Instrument of Appointment;

(xi) *Transfer scheme*:

(A) following receipt of notice of termination of the Instrument of Appointment, use its reasonable endeavours to ensure that (subject to its obligations under the WIA):

(a) a Transfer Scheme is agreed between AWL, the transferee and the Secretary of State for the Environment or Ofwat on or before the later to occur of the date falling (X) six months after the date on which the notice is received; and (Y) two years prior to the expiry of such notice; and

(b) any such Transfer Scheme will not be materially prejudicial to the Secured Creditors;

(B) use all reasonable endeavours to ensure (so far as permitted by any applicable law and regulation and any binding confidentiality obligations entered into in good faith for bona fide commercial reasons) that the Security Trustee is kept fully informed of the consultation process with Ofwat and is consulted with in relation thereto if AWL becomes subject to any Transfer Scheme; and

(C) subject to its obligations under the WIA, not to agree to any Transfer Scheme without the consent of the Security Trustee;

(xii) *Interim Price Determinations*: as soon as reasonably practicable, to apply to Ofwat for an interim determination of a price control when permitted under the Instrument of Appointment, in all circumstances where it would be prudent and in the best commercial interests of AWL to do so; and

(xiii) *Charging schemes*: to levy charges to customers which, together with other available amounts, are as far as possible sufficient, within the constraints of the current price control framework or other regulatory requirements, to enable AWL to meet its operational, investment and financial obligations on a timely basis under the Instrument of Appointment and its obligations in respect of Financial Indebtedness.

Additional covenants of AWL, the Programme Issuer and the Existing Issuer

Additionally, each of AWL, the Programme Issuer and the Existing Issuer will undertake, among other things:

(i) *Credit rating*: for as long as there is Senior Debt outstanding, to use its reasonable endeavours to ensure that it maintains a published credit rating of Bonds (or, in the case of the Existing Issuer, the Existing Issuer Bonds) with at least two of the Rating Agencies, in each case, of Investment Grade;

(ii) *Restricted Payments*: only to:

(a) implement Deferrals of K at a time when no Trigger Event is subsisting, no Event of Default is subsisting or if required by Ofwat;

(b) other than in the case of Permitted Post Closing Events or any Intra-Group Debt Service Distribution, make any payment in respect of Subordinated Debt or pay any Distribution which would be a Restricted Payment if each of the following requirements is met:

(1) in the case of dividends only, the payment is made after a duly constituted board meeting has been held approving such dividend;

(2) the aggregate amount of any such payment(s) that may be paid is no higher than the Proposed Payment Amount (as defined below);

(3) on the date of such payment:

(A) no withdrawals have been made from the Programme Issuer's or, as the case may be, the Existing Issuer's Debt Service Reserve Accounts pursuant to paragraph 8.6.2(ii) of Schedule 10 (*Cash Management*) of the CTA and no drawings are outstanding under the DSR Liquidity Facilities, other than Standby Drawings;

(B) each of the Senior RAR and the Class A RAR for each Calculation Date (after deducting an amount equal to the proposed payment(s) (the "**Proposed Payment Amount**") from available cash), as certified by the Programme Issuer, the Existing Issuer and AWL in the Compliance Certificate most recently delivered to the Security Trustee and each Rating Agency, is less than or equal to: (a) in the case of the Senior RAR, 0.85:1; and (b) in the case of the Class A RAR, 0.75:1;

(C) the Proposed Payment Amount is not greater than the Available Senior Headroom or the Available Class A Headroom; and

(4) no Default is subsisting or would result from the payment and the Repeated Representations are, and will following such payment, remain correct in all material respects provided that if such Default arises as a result of a notice to terminate the Instrument of Appointment having been served then such Default shall be deemed to be cured if an independent financial adviser shall have certified to the Security Trustee that a Transfer Scheme as defined in Schedule 2 of the WIA or other satisfactory security has been established that will not be materially prejudicial to the interests of Class A Creditors or Class B Creditors (as the case may be);

(iii) *Auditors*: to only replace the Auditors without the prior written approval of the Security Trustee (such consent not be unreasonably withheld) if the replacement Auditors are a firm of independent public accountants of international standing and to inform the Security Trustee of any change to the Auditors, as soon as reasonably practicable;

(iv) *Year end*: not to change its financial year end without the prior written consent of the Security Trustee (such consent not to be unreasonably withheld) unless Ofwat requires the relevant financial year to be changed (in which case the Transaction Agent will change the financial covenant calculations in such manner as the Security Trustee deems necessary to enable such calculations to continue to be calculated from the relevant financial statements); and

(v) *Financial Indebtedness*: not to enter into any Authorised Credit Facility (other than in respect of any Subordinated Debt) unless following such entry into such Authorised Credit Facility:

(a) the sum of:

(1) the aggregate nominal outstanding Financial Indebtedness of the Financing Group which has an expected final maturity falling within any period of 24 consecutive months (from and including the first day of any 24 month period to but excluding the day falling 24 months later) (any final maturity date falling within such period being a "**Relevant Final Maturity Date**") expressed as:

(A) for the purposes of (X) below, a percentage of RCV, where:

(1) if the Relevant Final Maturity Date falls prior to the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for such Relevant Final Maturity Date indexed to the Relevant Final Maturity Date at the actual rate of inflation (to the extent known) for the period from the date on which Ofwat published such RCV figure and thereafter to the extent not known at the rate of inflation assumed by AWL in its most recent AWL Business Plan for such period (the "**Relevant Inflation Rate**"); and

(2) if the Relevant Final Maturity Date falls after the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for the end of the current Periodic Review Period indexed to the Relevant Final Maturity Date at the Relevant Inflation Rate,

(B) for the purposes of (Y) below, an amount in sterling; and

(2) the aggregate accretions by way of indexation at the Relevant Inflation Rate to each Relevant Termination Date under any RPI Linked Hedging Agreement which:

(A) may be terminated at the election of the applicable Hedging Counterparty (taking into account the earliest optional termination date only);

(B) has a scheduled termination date; or

(C) will terminate pursuant to any mandatory termination provision specified in the relevant Hedging Agreement,

in each case within the 24 month period specified in paragraph (v)(a)(1) above (any termination date falling within such period being a "**Relevant Termination Date**") each expressed as:

(D) for the purposes of (X) below, a percentage of RCV where:

(1) if the Relevant Termination Date falls prior to the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for such Relevant Termination Date indexed to the Relevant Termination Date at the actual rate of inflation (to the extent known) for the period from the date on which Ofwat published such RCV figure and thereafter to the extent not known at the rate of inflation assumed by AWL in its most recent AWL Business Plan for such Relevant Termination Date; and

(2) if the Relevant Termination Date falls after the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for the end of the current Periodic Review Period indexed to the Relevant Termination Date at the rate of inflation assumed by AWL in its most recent AWL Business Plan for such 24 month period; and

(E) for the purposes of (Y) below, an amount in sterling,

shall not exceed the greater of (X) 20 per cent. and (Y) £250,000,000 (indexed) provided that if upon entering into an Authorised Credit Facility in reliance on (Y), the Financial Indebtedness incurred pursuant to this paragraph (a) may only be Financial Indebtedness which is not inflation-linked Financial Indebtedness; and

(b) the sum of:

(1) the aggregate nominal outstanding Financial Indebtedness of the Financing Group which has an expected final maturity falling within the period from one Periodic Review to the next Periodic Review (any final maturity date falling within such period being a "**Relevant Final Maturity Date**") expressed as a percentage of RCV where:

(A) if the Relevant Final Maturity Date falls prior to the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for such Relevant Final Maturity Date indexed to the Relevant Final Maturity Date at the actual rate of inflation (to the extent known) for the period from the date on which Ofwat published such RCV figure and thereafter to the extent not known at the rate of inflation assumed by AWL in its most recent AWL Business Plan for such period (the "**Relevant Inflation Rate**");

(B) if the Relevant Final Maturity Date falls after the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for the end of the current Periodic Review Period indexed to the Relevant Final Maturity Date at the Relevant Inflation Rate,

(2) the aggregate accretions by way of indexation at the Relevant Inflation Rate to each Relevant Termination Date under any RPI Linked Hedging Agreement which:

(A) may be terminated at the election of the applicable Hedging Counterparty (taking into account the earliest optional termination date only);

(B) has a scheduled termination date; or

(C) will terminate pursuant to any mandatory termination provision specified in the relevant Hedging Agreement,

in each case within the period from one Periodic Review to the next Periodic Review (any termination date falling within such period being a "**Relevant Termination Date**") each expressed as a percentage of RCV where:

(1) if the Relevant Termination Date falls prior to the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for such Relevant Termination Date indexed to the Relevant Termination Date at the actual rate of inflation (to the extent known) for the period from the date on which Ofwat published such RCV figure and thereafter to the extent not known at the rate of inflation assumed by AWL in its most recent AWL Business Plan for such Relevant Termination Date; and

(2) if the Relevant Termination Date falls after the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for the end of the current Periodic Review Period indexed to the Relevant Termination Date at the rate of inflation assumed by AWL in its most recent AWL Business Plan for such Periodic Review Period,

does not exceed 40 per cent. (adjusted and increased proportionately to the extent that the period from one Periodic Review to the next Periodic Review is greater than 5 years),

and, for the purposes of these paragraphs (v)(a) and (b) above, "expected maturity" shall include any Financial Indebtedness that would, in the ordinary course, be expected to be repaid in full as a result of Subordinated Step-up Fee Amounts or other extraordinary payment being required to keep such Financial Indebtedness outstanding.

Additional Covenants of the Programme Issuer and the Existing Issuer

Additionally, each of the Programme Issuer and the Existing Issuer will undertake, among other things:

(i) *Restricted Business of the Programme Issuer and the Existing Issuer*: to restrict its business to certain matters in accordance with the Finance Documents;

(ii) *Listing*: to use reasonable endeavours to procure and maintain the admission of all Bonds and the Existing Issuer Bonds which are intended to be listed in its name for trading on the London Stock Exchange or, in the case of the Bonds, such other stock exchange as approved by the Dealers under the Dealership Agreement until none of the relevant listed Bonds or the Existing Issuer Bonds are outstanding;

(iii) *Notification of non-payment and late payment*: to procure that the relevant Principal Paying Agent notifies the Bond Trustee or the Existing Issuer Bond Trustee (as applicable) forthwith if it does not receive the full amount in the correct currency in respect of any payment in respect of the Bonds or the Existing Issuer Bonds, as the case may be, on or before the due date for such payment, and to give notice to the relevant Bondholders or the Existing Issuer Bondholders (as applicable) if any sum due in respect of the relevant Bonds or the Existing Issuer Bonds (as the case may be) is paid after the due date for such payment;

(iv) *Notices to Bondholders and Existing Issuer Bondholders*: to give notice of certain events to the Bond Trustee and Bondholders or the Existing Issuer Bond Trustee and Existing Issuer Bondholders, as the case may be, in relation to payments in respect of the Bonds and the Existing Issuer Bonds, respectively; and

(v) *Liability to Tax*: to give notice to the Security Trustee and/or the Bond Trustee and/or the Existing Issuer Bond Trustee promptly upon becoming aware of deduction or withholding of tax in respect of payments due in respect of Bonds or any Existing Issuer Bonds (as the case may be), becoming subject to tax on a basis which is materially different than that assumed in the AWL Business Plan or if a Hedging Counterparty is required to make a deduction or withholding in respect of any payment due under the relevant Hedging Agreement.

Financial Covenants

(i) AWL has undertaken, among other things:

(a) *Financial Ratios*: to deliver, with each Compliance Certificate a statement setting out details of the calculation of the following ratios calculated as at the Calculation Date immediately prior to the date of the delivery of that Compliance Certificate:

(1) the Class A ICR for each Test Period;

(2) the Class A Adjusted ICR for each Test Period;

(3) the Senior Adjusted ICR for each Test Period;

(4) a Class A Average Adjusted ICR for each Test Period;

(5) the Senior Average Adjusted ICR for each Test Period;

(6) the Class A RAR at any Calculation Date;

(7) the Senior RAR at any Calculation Date;

(8) the Conformed Class A Adjusted ICR for each Test Period;

(9) the Conformed Senior Adjusted ICR for each Test Period;

(10) the Conformed Class A Average Adjusted ICR for each Test Period; and

(11) the Conformed Senior Average Adjusted ICR for each Test Period; and

(b) *Price Determination*: at each Periodic Review and on making each interim determination of a price control application, to apply to Ofwat for a price determination which, in the reasonable opinion of the AWL directors, would allow, at a minimum, a credit rating the same as the original credit rating in respect of the Class A Bonds and the Existing Issuer Bonds from each of the Rating Agencies.

(ii) Each of AWL, the Programme Issuer and the Existing Issuer shall maintain (if appropriate):

(a) committed DSR Liquidity Facilities in respect of Class A Debt which, when aggregated with all amounts (including the value of any Authorised Investments commitments funded from such amounts) standing to the credit of the Class A Debt Service Reserve Accounts are not less than the Class A Required Balance; and

(b) committed DSR Liquidity Facilities in respect of Class B Debt which, when aggregated with all amounts (including the value of any Authorised Investments commitments funded from such amounts) standing to the credit of the Class B Debt Service Reserve Account are not less than the Class B Required Balance.

(iii) AWL undertakes to maintain an O&M Reserve and/or O&M Reserve Facility available for drawing which together with amounts standing to the credit of any O&M Reserve Account (including the value of any Authorised Investments funded from amounts standing to the credit of the O&M Reserve Accounts) amount to not less than the O&M Reserve Required Amount.

Trigger Events

The CTA sets out certain Trigger Events which will include (subject to agreed exceptions, materiality qualifications, grace periods and remedies and as more particularly provided in the CTA) the occurrence of any of the following events:

(i) *Financial Ratios*

(a) the Class A RAR at any Calculation Date is or is estimated to be more than 0.75:1;

(b) the Senior RAR at any Calculation Date is or is estimated to be more than 0.90:1;

(c) the Class A Adjusted ICR for any Test Period is or is estimated to be less than 1.3:1;

(d) the Senior Adjusted ICR for any Test Period is or is estimated to be less than 1.1:1;

(e) the Class A Average Adjusted ICR for any Test Period is or is estimated to be less than 1.4:1;

(f) the Senior Average Adjusted ICR for any Test Period is or is estimated to be less than 1.2:1;

(g) the Conformed Class A Adjusted ICR for each Test Period is or is estimated to be greater than 1.3:1;

(h) the Conformed Senior Adjusted ICR for each Test Period is or is estimated to be greater than 1.1:1;

(i) the Conformed Class A Average Adjusted ICR is or is estimated to be greater than 1.4:1; or

(j) the Conformed Senior Average Adjusted ICR is or is estimated to be greater than 1.2:1.

(ii) *Debt Service Payment Account Shortfall*

The failure by AWL to pay the Monthly Payment Amount within five Business Days following the date on which such payment was scheduled to be made.

(iii) *Liquidity for Capital Expenditure and Working Capital*

If, as at any Calculation Date, the aggregate of:

(a) AWL's operating cash flows including monies standing to the credit of the Operating Accounts available or forecast to be available to meet Capital Expenditure and working capital requirements for the next 12 months; and

(b) Authorised Credit Facilities (excluding Liquidity Facilities) available to be drawn in the next 12 month period,

is less than the aggregate of:

(1) AWL's forecast Capital Expenditure projected for the next 12 month period;

(2) AWL's forecast working capital requirements projected for the next 12 month period; and

(3) the amount the Programme Issuer, the Existing Issuer or, as the case may be, AWL estimates, in its reasonable opinion, is equal to the net amount payable by the Programme Issuer, the Existing Issuer or, as the case may be, AWL to a Hedging Counterparty following the exercise of an option to terminate a Treasury Transaction as permitted by the Hedging Policy.

(iv) *Required Balance of DSR Liquidity Facilities and Drawdown on O&M Reserve Facilities*

If, at any time, the aggregate of all commitments under the DSR Liquidity Facilities in respect of Class A Debt and Class B Debt and all amounts standing to the credit of the Debt Service Reserve Accounts of the Programme Issuer and the Existing Issuer (including the value of any Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Accounts) is less than the Required Balance (although it will not be a Trigger Event if it is triggered as a direct result of a banking error and remedied by such amount being repaid within three Business Days without such repayment being funded by a further drawing under a DSR Liquidity Facility).

If, at any time, AWL withdraws funds from AWL's O&M Reserve Account or a drawing is made under an O&M Reserve Facility (excluding any Standby Drawing) to pay AWL's operating or maintenance expenditure.

(v) *Enforcement Order*

An Enforcement Order is issued under Part II, Chapter II of the WIA against AWL which would have a Material Adverse Effect if not complied with.

(vi) *Circumstances leading to a Special Administration Order*

Any indication arising from notices and/or correspondence issued by, or during correspondence with, Ofwat or any other circumstances of which AWL is aware that would reasonably be expected to lead to an application by Ofwat or the Secretary of State for the Environment for a Special Administration Order to be made in respect of AWL.

(vii) *Termination of Instrument of Appointment*

The giving of a notice to terminate the Instrument of Appointment under the WIA.

(viii) *Event of Default*

An Event of Default is continuing.

(ix) *Referral regarding Shipwreck Clause*

A referral is made under sub-paragraph 13.3 of Condition B in Schedule 2 (*Shipwreck*) to the Instrument of Appointment (or any successor or equivalent paragraph) as a result of any materially adverse event.

(x) *Audit Qualification*

The Auditors qualify their report on any audited Statutory Accounts of any member of the Financing Group in a material manner due to which the financial ratios calculated in accordance with the CTA may not reflect the true position of AWL in a materially adverse manner.

(xi) *Adverse Governmental Legislation*

The commencement of the final reading of draft legislation in the House of Lords or the House of Commons (whichever occurs later) or legislation relating to or impacting upon relevant undertakers (as that term is defined in the WIA) if such legislation would (if enacted) lead to a breach of the financial ratios set out above, in each case taking into account any actions available to AWL to mitigate or cure the same.

(xii) *Modification or Replacement of Instrument of Appointment*

If within six months of an announcement setting out clear proposals (including a related timetable to effect such proposals) by Ofwat for the modification or replacement of the Instrument of Appointment which, if implemented, would have a Material Adverse Effect, AWL has not obtained confirmation from Ofwat that the proposed modification or replacement is not expected to be implemented or is expected to be implemented in a form which is not reasonably expected to have a Material Adverse Effect.

(xiii) *Conduct of Business*

The Permitted Non-Appointed Business Limits are breached.

(xiv) *Adverse Final Determination of K*

A final determination of K by Ofwat which is reasonably likely to have a Material Adverse Effect (taking into account any remedies available to AWL).

(xv) *Credit Rating Downgrade*

The solicited long-term credit rating of any Class A Debt by at least two Rating Agencies (i) is ascribed at or falls to BBB (Fitch) (to the extent the Fitch Appointment Right has been exercised by the Transaction Agent), Baa2 (Moody's) or BBB (S&P) (or equivalent rating with any other Rating Agency) or below; or (ii) is withdrawn at the request of any Obligor (such credit rating being the "**Trigger Credit Rating**").

(xvi) *Super-Senior RPI Linked Hedging Agreements*

On any Calculation Date, the aggregate amount of all accretions by indexation to the original notional amounts of any Super-Senior RPI Linked Hedging Agreements exceeds the greater of (i) 6 per cent. of RCV; or (ii) £60,000,000 (indexed).

"**Super-Senior Interest Rate Hedging Agreement**" means each Existing Hedging Agreement and each other Interest Rate Hedging Agreement designated as such in the relevant Accession Memorandum to the STID.

"**Super-Senior RPI Linked Hedging Agreement**" means each RPI Linked Hedging Agreement which is a Super-Senior Interest Rate Hedging Agreement.

In connection with any new Authorised Credit Facility, the Transaction Agent may agree with the relevant Authorised Credit Provider to disapply any of the Trigger Events in respect of the terms of such new Authorised Credit Facility and no consent of the Secured Creditors shall be required in respect of such disapplication provided that their rights are not affected.

Trigger Event Consequences

Following the occurrence of a Trigger Event and at any time until such Trigger Event has been waived or deemed remedied in accordance with the CTA, certain consequences will result, including:

(i) no Obligor may make Restricted Payments and, in respect of Deferrals of K, if these have not yet been implemented, AWL must stop their implementation and must not declare any Deferrals of K;

(ii) no Obligor may purchase or otherwise acquire any Financial Indebtedness of the Financing Group (including, without limitation, the Bonds or the Existing Issuer Bonds);

(iii) AWL must provide such information as to the relevant Trigger Event (including its causes and effects) as may be properly requested by the Security Trustee;

(iv) AWL must discuss with the Security Trustee (at a mutually convenient time and location) its plans for appropriate remedial action and the timetable for implementation of such action, and AWL and the Security Trustee shall negotiate in good faith to agree a Remedial Plan, and any Remedial Plan must then be implemented by AWL;

(v) the Security Trustee may commission an Independent Review to be undertaken on a timetable stipulated by the Security Trustee to be conducted by technical advisers to the Security Trustee or such other person as the Security Trustee may decide (in each case, subject to prior consultation with AWL) to examine the causes of the relevant Trigger Event and recommend appropriate measures;

(vi) AWL, in its capacity as Transaction Agent, must (so far as permitted by any applicable law and regulation, any binding confidentiality obligations entered into in good faith for *bona fide* commercial reasons and the retention of legal privilege) co-operate with the person appointed to prepare the Independent Review; and

(vii) subject to prior notice to the Transaction Agent, if practicable, the Security Trustee shall be entitled to discuss the relevant Trigger Event and any Remedial Plan with Ofwat at any time.

Trigger Event Remedies

At any time when the Transaction Agent believes that a Trigger Event has been remedied in accordance with the detailed provisions of the CTA, it must serve notice on the Security Trustee to that effect, and the Security Trustee must respond within five days (or such longer period as it may reasonably agree with the Transaction Agent) confirming that the relevant Trigger Event has, in its reasonable opinion, been remedied or setting out its reasons for believing that such Trigger Event has not been remedied (in which case, such event will continue to be a Trigger Event until such time as the Security Trustee is reasonably satisfied that the Trigger Event has been remedied).

Events of Default

The CTA contains a number of events of default (the "**Events of Default**") which are Events of Default under each Finance Document (other than, in respect of the Hedging Counterparties, the Hedging Agreements). Subject, in some cases and where not otherwise stated below, to agreed exceptions, materiality thresholds and qualifications, the Reservations, grace periods and remedies, Events of Default include:

(i) non-payment by any Obligor of amounts payable under the Finance Documents;

(ii) non-compliance with certain other obligations under the Finance Documents;

(iii) material misrepresentation;

(iv) non-payment of amounts payable (after the expiry of any originally applicable grace period) or acceleration of amounts in respect of any Financial Indebtedness other than in respect of the Finance Documents having a notional outstanding amount in excess of the greater of (i) 0.1 per cent. of RCV; or (ii) £1,000,000 (indexed) (or its Equivalent Amount);

(v) any amount of its Financial Indebtedness in excess of (i) 0.1 per cent. of RCV; or; (ii) £1,000,000 (indexed) (or its Equivalent Amount): (i) is declared due and payable prior to its specified maturity, or (ii) is capable of being declared by a creditor to be prematurely due and payable prior to its specified maturity, in each case, as a result of an event of default (howsoever described);

(vi) insolvency of any Obligor or the commencement of insolvency proceedings against any Obligor or, in relation to AWL, an insolvency event or insolvency proceedings as set out further in the CTA occur(s) in relation to AWL;

(vii) transfer, revocation or termination of the Instrument of Appointment;

(viii) insufficient liquidity to meet AWL's forecast Capital Expenditure and working capital requirements projected for the next six month period;

(ix) any Obligor repudiating a Finance Document or it becoming unlawful or ineffective to perform material obligations under any Finance Document;

(x) the security granted by each Obligor (other than AWL) ceasing to be in full force and effect in respect of all or substantially all of the assets of such Obligor (unless otherwise consented to by the Security Trustee);

(xi) certain governmental action which would be reasonably likely to have a Material Adverse Effect;

(xii) failure by any Obligor to comply with any judgment or order of a competent court being made, obtained or levied against the assets of any Obligor in respect of sums exceeding the greater of (i) 0.1 per cent. of RCV; or £1,000,000 (indexed) (or its Equivalent Amount) except where such judgment is being appealed in good faith in a higher court;

(xiii) AWL ceasing or threatening to cease to carry on the Appointed Business (or any substantial part thereof);

(xiv) litigation being started against an Obligor or its assets or revenues which would be reasonably likely to be adversely determined and, if so adversely determined, would have a Material Adverse Effect;

(xv) the Class A ICR for any Test Period is or is estimated to be less than 1.60:1;

(xvi) the Senior RAR is or is estimated to be more than 0.95:1;

(xvii) the Class A Adjusted ICR for any Test Period is or is estimated to be less than 1:1;

(xviii) the Conformed Class A Adjusted ICR is less than 1:1; and/or

(xix) an AWL Change of Control occurs.

The CTA provides that if an Event of Default pursuant to paragraph (xvi) above occurs solely as a result of the introduction or implementation of a Different Price Control Mechanism (as defined in the definition of "**RCV**") (a "**Senior RAR Restructuring Event**"), then the Senior RAR Restructuring Event will only give rise to a Trigger Event occurring and accordingly:

(a) subject to the paragraph (c) below, no Event of Default shall occur hereunder as a result thereof;

(b) the Trigger Event directly caused by the Senior RAR Restructuring Event will continue thereafter until such time as the Trigger Event is amended, waived or remedied in accordance with the provisions set out in the CTA and the STID; and

(c) if on or after the date falling on the later of 12 months after the date of the occurrence of the Trigger Event, the Trigger Event has not been amended, waived or remedied in accordance with the provisions set out in the CTA and the STID, the Senior RAR Restructuring Event shall with effect from such date constitute an Event of Default pursuant to paragraph (xvi) above.

In respect of each Event of Default requiring any action or discretion on the part of the relevant creditor, the Security Trustee will (save in respect of certain Entrenched Rights and Reserved Matters (see section "*– Entrenched Rights and Reserved Matters*" above)) act in accordance with the instructions of the Majority Creditors in accordance with the STID (see section "*– Security Trust and Intercreditor Deed*" above).

Immediately upon the declaration of an Event of Default, a Standstill Period will commence in accordance with the STID (see section "*– Security Trust and Intercreditor Deed – Standstill*" above).

Conditions Precedent

The conditions precedent to among other things the signing of the CTA, the Initial Issue Date and to the issue of Bonds after the Initial Issue Date are set out in a conditions precedent agreement (as amended from time to time, the "**CP Agreement**") as agreed between, among others, the Bond Trustee, the Security Trustee and the Obligors.

Cash Management

Accounts

The CTA requires AWL to open and maintain the following Accounts with the Account Bank:

(a) certain Operating Accounts;

(b) an O&M Reserve Account; and

(c) a Debt Service Payment Account.

Additionally, AWL may open and maintain a Cash Cover Account pursuant to the terms of an Authorised Credit Facility pursuant to which a letter of credit facility has been made available to AWL into which any amounts in respect of "cash cover" (as defined in the relevant Authorised Credit Facility) shall be deposited in accordance with the terms thereof. Any amounts standing to the credit of a Cash Cover Account shall be applied only in accordance with the terms of the relevant Authorised Credit Facility and the STID.

The Programme Issuer is required to open and maintain the following Accounts with the Account Bank:

(a) a Transaction Account;

(b) a Class A Debt Service Reserve Account;

(c) a Class B Debt Service Reserve Account (if required); and

(d) in the event it raises Permitted Financial Indebtedness denominated in a currency other than Sterling, a debt service account and a debt service reserve account denominated in such currency.

The Existing Issuer is required to open and maintain the following Accounts with the Account Bank:

(a) a Transaction Account; and

(b) a Class A Debt Service Reserve Account.

Each of the Programme Issuer, the Existing Issuer and AWL may also open and maintain one or more accounts (each a "**Swap Collateral Account**") into which any collateral provided by a Hedging Counterparty or guarantor thereof shall be deposited upon the relevant trigger occurring for the provision of such collateral to support the obligations of the Hedging Counterparty or guarantor under the terms of the appropriate Hedging Agreement.

AWHL is required to maintain one chequing account only with the Account Bank.

Each of the above accounts together with any other bank account of any Obligor are collectively referred to as the "**Accounts**". Each of the Accounts (other than any Cash Cover Accounts opened at another bank or financial institution in accordance with any Authorised Credit Facility or any account in relation to an Authorised Investment) will be held with the Account Bank pursuant to the Account Bank Agreement or with another entity where AWL can show that such further bank accounts are desirable for the operation of AWL's permitted business and are subject to a first fixed Security Interest under the Security Agreement. Each Obligor agreed in the CTA to comply with the Account Bank Agreement and the provisions of the CTA applying to its Accounts.

Operating Accounts

Under the CTA, AWL shall ensure that all of its revenues (other than any interest or Income on Authorised Investments which shall be credited to the Account from which the relevant Authorised Investment was made) are paid into an Operating Account. AWL may hold separate operating accounts for its Appointed Business and each of the trades entered into in connection with its Permitted Non-Appointed Business save that it will be permitted to receive its revenues into its existing collection accounts with a bank other than the Account Bank where the balance of such collection accounts is transferred into an Operating Account on the close of business on each Business Day.

AWL may make transfers from one Operating Account to another in its sole discretion at any time.

The Operating Accounts are the principal current accounts of AWL through which all operating and Capital Expenditure or any Taxes incurred by AWL and (subject to the terms of the Finance Documents) payments in respect of the Financial Indebtedness of the Financing Group which are not permitted to be satisfied out of monies credited to the Debt Service Payment Account may be cleared (including other permitted unsecured debt of AWL).

All operating expenditure of AWL will be funded (a) through payments made directly into the Operating Accounts and (b) through drawings made by AWL under any Authorised Credit Facility or other Permitted Financial Indebtedness as and when required and permitted by the Finance Documents.

Capital Expenditure of AWL may initially be partially financed by drawings made by AWL under the Revolving Credit Facilities. Such amounts will be paid by AWL into the Operating Accounts. On an ongoing basis, Capital Expenditure will be funded out of monies standing to the credit of the Operating Accounts and/or (in relation to Capital Maintenance Expenditure) to the extent that the sums standing to the credit of the Operating Accounts are insufficient, an O&M Reserve Account.

Transaction Accounts

Each of the Programme Issuer and the Existing Issuer shall ensure that all payments received by it, and not otherwise required to be applied pursuant to the CTA, are paid into its respective Transaction Account.

AWL's O&M Reserve Account

AWL must ensure that the proceeds of any drawing under any O&M Reserve Facility Agreement are paid directly into AWL's O&M Reserve Account or (other than a Standby Drawing) an Operating Account.

AWL may not withdraw any monies from its O&M Reserve Account unless:

(i) such withdrawal is for the purpose of funding a transfer to an Operating Account to enable AWL to pay amounts properly incurred and due on that date in respect of operating expenditure and Capital Expenditure requirements that cannot be met from existing balances in the Operating Accounts;

(ii) such withdrawal is for the purpose of transferring into an Operating Account any interest income earned from time to time on the O&M Reserve Account (including Income from any related Authorised Investments); or

(iii) prior to making a withdrawal, AWL delivers a certificate to the Security Trustee and the Account Bank certifying that, following such proposed withdrawal, the aggregate of the O&M Reserves and all amounts then available for drawing under any O&M Reserve Facility (other than the proceeds of a Standby Drawing) are at least equal to the O&M Reserve Required Amount on the date of such withdrawal.

Debt Service Payment Account

AWL is required to ensure that each transfer of or in respect of the Monthly Payment Amount from the Operating Accounts is made directly into the Debt Service Payment Account.

Subject to other provisions of the CTA, on each Payment Date, monies credited to the Debt Service Payment Account and any net amounts paid or due and payable to the Programme Issuer, the Existing Issuer or AWL

under any Interest Rate Hedging Agreement, the Programme Issuer/AWL Loan Agreement or Existing Issuer/AWL Loan Agreement (as the case may be) on such Payment Date and any amounts payable and standing to the credit of any account established in accordance with the requirements of the Hedging Policy shall be applied by AWL in the following order for the purpose of enabling the following payments ("**Permitted Payments**") to be made by AWL for itself or at the direction of and on behalf of the Programme Issuer or the Existing Issuer in the following order of priority (the "**Payment Priorities**") without double counting provided that:

(a) any amounts applied by AWL in directly discharging an obligation of the Programme Issuer or the Existing Issuer shall be treated as simultaneously having discharged AWL's corresponding obligation to pay on such Payment Date to the Programme Issuer or the Existing Issuer under any Programme Issuer/AWL Loan Agreement or the Existing Issuer/AWL Loan Agreement the relevant facility fees, interest, principal, indemnity amounts and other sums due to the Programme Issuer or, as the case may be, the Existing Issuer;

(b) the payment of any retained margin or fee of the Programme Issuer under the Programme Issuer/AWL Loan Agreements and the Existing Issuer under the Existing Issuer/AWL Loan Agreement shall be paid at item (vi) (in relation to advances in respect of Class A Debt) and (xi) (in relation to advances in respect of Class B Debt) and shall be transferred to the Transaction Account of the Programme Issuer or the Existing Issuer.

The Payment Priorities are as follows:

(i) *first*, (to the extent there are insufficient monies standing to the credit of all other Accounts (other than any Excluded Account) and/or available for drawing under any Liquidity Facility), in or towards satisfaction of all of the Financing Group's operating and maintenance costs (including costs incurred in connection with the Ardleigh Arrangement (except to the extent falling due under the Finance Documents));

(ii) *second*, *pro rata*, according to the respective amounts thereof in satisfaction of the fees, costs, charges, liabilities, expenses and other remuneration and indemnity payments (if any) and any other amounts payable to the Security Trustee, the Bond Trustee and the Existing Issuer Bond Trustee;

(iii) *third*, *pro rata*, according to the respective amounts thereof in or towards satisfaction of:

(A) the fees, costs, charges, liabilities expenses and other remuneration and indemnity payments (if any) and any other amounts payable to:

(1) the Agents of the Programme Issuer and any agent bank and each paying agent for the Existing Issuer;

(2) the Account Bank under the Account Bank Agreement;

(3) each Facility Agent and each Authorised Credit Provider under the relevant Authorised Credit Facility; and

(4) the Standstill Cash Manager,

(B) the costs, liabilities and expenses (if any) payable to:

(1) each DSR Liquidity Facility Provider under the relevant DSR Liquidity Facility Agreement; and

(2) each O&M Reserve Facility Provider under the relevant O&M Reserve Facility Agreement;

(iv) *fourth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(A) all amounts of fees, interest and principal (other than any Subordinated Liquidity Facility Amounts) due or overdue:

(1) to each DSR Liquidity Facility Provider under the relevant DSR Liquidity Facility Agreement;

(2) to each O&M Reserve Facility Provider under the relevant O&M Reserve Facility Agreement; and

(B) all amounts of fees, interest and principal due or overdue to each Authorised Credit Provider under the relevant Authorised Credit Facility to the extent that the Financial Indebtedness was incurred to fund a New Money Advance;

(v) *fifth*, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of all scheduled amounts payable to each Hedging Counterparty under any Super Senior Interest Rate Hedging Agreement;

(vi) *sixth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(A) all amounts of interest (including the Lease Reserve Amounts and Adjusted Lease Reserve Amounts), commitment commissions and Recurring Fees due or overdue in respect of the Class A Debt (other than any amounts payable to Hedging Counterparties pursuant to paragraph (v) or this paragraph (vi)(A), and (C) and (D) below, Subordinated Step-up Fee Amounts and Subordinated Authorised Loan Amounts);

(B) any unscheduled amounts (including termination amounts) due and payable to each Hedging Counterparty under any Super Senior Interest Rate Hedging Agreement (except to the extent required to be paid at paragraph (xv) below);

(C) all scheduled amounts payable to each Hedging Counterparty under any Pari Passu Interest Rate Hedging Agreement (subject to paragraph (vii) below);

(D) all scheduled amounts (other than principal exchange or final exchange amounts) payable to each Hedging Counterparty under any Currency Hedging Agreement in respect of Class A Debt and (subject to paragraph (xv) below and following termination of a Standstill Period other than due to remedy or waiver by the Majority Creditors of, or the revocation of, the Event of Default giving rise to the Standstill Period) all amounts payable to each Hedging Counterparty under any Currency Hedging Agreement in respect of Class A Debt; and

(E) all amounts of underwriting commissions due or overdue in respect of Class A Debt;

(vii) *seventh*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(A) all amounts of principal due or overdue in respect of Class A Debt (including, in respect of Finance Leases, those amounts (including any rental and capital sums) payable in respect thereof which do not fall within paragraph (vi) above and do not fall due as a result of the operation of any indemnity or fee reimbursement provision of a Finance Lease) (other than amounts payable to Hedging Counterparties pursuant to paragraph (vi)(B), paragraphs (vii)(B), (C) and (D) and paragraph (xv));

(B) all principal exchange or final exchange amounts due and payable to each Hedging Counterparty under any Currency Hedging Agreement in respect of Class A Debt;

(C) subject to paragraph (vi)(D) any termination amounts or other unscheduled sums due and payable to each Hedging Counterparty under any Currency Hedging Agreement in respect of Class A Debt (except to the extent required to be paid at paragraph (xv) below); and

(D) any unscheduled amounts (including termination amounts) due and payable to each Hedging Counterparty under any Pari Passu Interest Rate Hedging Agreement (except to the extent required to be paid at paragraph (xv) below);

(viii) *eighth*, in or towards satisfaction of any Make-Whole Amount due and payable on the Class A Debt;

(ix) *ninth*, *pro rata* according to the respective amounts thereof if the Class A Required Balance is greater than zero, *pro rata*, in payment to:

(A) the Class A Debt Service Reserve Account of the Programme Issuer until the aggregate balance of such account (including the value of any Authorised Investments funded from amounts standing to the credit of such Debt Service Reserve Account) and the aggregate available commitments under any DSR Liquidity Facilities available to the Programme Issuer in respect of Class A Debt is at least equal to the Programme Issuer DSR Proportion of the Class A Required Balance; and

(B) the Class A Debt Service Reserve Account of the Existing Issuer until the aggregate balance of such account (including the value of any Authorised Investments funded from amounts standing to the credit of such Debt Service Reserve Account) and the aggregate available commitments under any DSR Liquidity Facilities available to the Existing Issuer in respect of Class A Debt is at least equal to the Existing Issuer DSR Proportion of the Class A Required Balance;

(x) *tenth*, in payment to AWL's O&M Reserve Account until the sum of the O&M Reserve (including the value of any Authorised Investments funded from amounts standing to the credit of the O&M Reserve Account) and the aggregate of amounts available to be drawn under the O&M Reserve Facilities is at least equal to the O&M Reserve Required Amount;

(xi) *eleventh*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(A) interest, commitment commissions and Recurring Fees due or overdue in respect of the Class B Debt (other than any Subordinated Step-up Fee Amounts);

(B) all scheduled amounts (other than principal exchange or final exchange amounts) payable to each Hedging Counterparty under any Currency Hedging Agreement in respect of Class B Debt and (subject to paragraph (xv) below and following termination of a Standstill Period other than due to remedy or waiver by the Majority Creditors of, or the revocation of, the Event of Default giving rise to the Standstill Period) all amounts payable to each Hedging Counterparty under any Currency Hedging Agreement in respect of Class B Debt; and

(C) all amounts of underwriting commissions due or overdue in respect of the Class B Debt;

(xii) *twelfth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(A) all amounts of principal due or overdue in respect of the Class B Debt;

(B) all principal exchange or final exchange amounts due and payable to each Hedging Counterparty under any Currency Hedging Agreement in respect of Class B Debt; and

(C) any termination amounts or other unscheduled sums due and payable to each Hedging Counterparty under any Currency Hedging Agreement in respect of Class B Debt (except to the extent required to be paid at paragraph (xv) below);

(xiii) *thirteenth*, in or towards satisfaction of any Make-Whole Amount due and payable on the Class B Debt;

(xiv) *fourteenth*, in payment to the Class B Debt Service Reserve Account of the Programme Issuer until the sum of the balance thereof (including the value of any Authorised Investments funded from amounts standing to the credit of such Debt Service Reserve Account) and the aggregate available commitments under any DSR Liquidity Facilities in respect of Class B Debt is at least equal to the Class B Required Balance;

(xv) *fifteenth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(A) any other amounts (not included in paragraphs (vi) and (vii) above), due and/or overdue to the Finance Lessors; and

(B) any termination payment due or overdue to a Hedging Counterparty under any Hedging Agreement which arises as a result of a default by such Hedging Counterparty or as a result of a downgrade in the credit rating of such Hedging Counterparty following any failure by the Hedging Counterparty to comply with the applicable downgrade provisions set out in the relevant Hedging Agreement (other than any amount attributable to the return of collateral or any premium or other upfront payment paid to the Programme Issuer, the Existing Issuer or AWL to enter into a transaction to replace a Hedging Agreement (in whole or in part) which shall be applied first in payment of amounts due to the Hedging Counterparty in respect of that Hedging Agreement);

(xvi) *sixteenth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(A) all Subordinated Liquidity Facility Amounts due or overdue to each Liquidity Facility Provider under any Liquidity Facilities;

(B) all Subordinated Authorised Loan Amounts due or overdue to each Authorised Credit Provider under the relevant Authorised Credit Facility in respect of Class A Debt; and

(C) any amounts payable in respect of Class A Debt not referred to in other sub paragraphs of the Payment Priorities;

(xvii) *seventeenth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of:

(A) all Subordinated Authorised Loan Amounts due or overdue to each Authorised Credit Provider under the relevant Authorised Credit Facility in respect of Class B Debt; and

(B) any amounts payable in respect of Class B Debt not referred to in other sub paragraphs of the Payment Priorities;

(xviii) *eighteenth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-up Fee Amounts due or overdue in respect of any Class A Bonds;

(xix) *nineteenth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-up Fee Amounts due or overdue in respect of any Class B Bonds; and

(xx) *twentieth*, any excess being transferrable to any Account (other than an Account of, or held for the benefit of, the Programme Issuer) at the Transaction Agent's discretion.

If at the end of any Test Period, there are amounts standing to the credit of the Debt Service Payment Account ("**Excess Funds**") (as a result of either (a) interest credited to and accruing on the Debt Service Payment Account or (b) payment of amounts into the Debt Service Payment Account in excess of the Annual Finance Charge for such Test Period), such Excess Funds will be treated and applied as a prepayment of future Monthly Payment Amounts due in the succeeding Test Period.

If on any Payment Date there are insufficient funds available to the Obligors to pay in full all Secured Liabilities falling due for payment on such date, then the Cash Manager shall ensure that (a) no amounts are applied in discharging any liabilities due to a Secured Creditor unless on the date such amounts are applied all sums then due and payable to each prior ranking Secured Creditor have first been discharged in full; and (b) where funds available to the Obligors are insufficient to meet all of the payments falling due to be made on such date in any sub paragraph of the Payment Priorities, such funds shall be divided *pro rata* between those payments.

Disapplication of Payment Priorities

The Payment Priorities set out in paragraphs (i) to (xx) inclusive and any reference in the Common Documents to payments being made in accordance with or pursuant to the Payment Priorities will not apply to (a) the proceeds of any further borrowing of Permitted Financial Indebtedness which are required by the terms of such borrowing to be applied (1) by way of loan to AWL pursuant to a Programme Issuer/AWL Loan Agreement or an Existing Issuer/AWL Loan Agreement; or (2) in repayment or prepayment of any then existing Financial Indebtedness of the Financing Group, in each case, to the extent permitted by the CTA, (b) any mandatory prepayment required to be funded from the Operating Accounts pursuant to paragraph 5.10 of Schedule 10 in the Common Terms Agreement; or (c) any return of collateral or premium or up front payment in relation to a Hedging Agreement contemplated in paragraph (xv) above which will be paid to the relevant Hedging Counterparty directly.

Debt Service Reserve Accounts

AWL must (subject to and in accordance with the Payment Priorities) transfer monies standing to the credit of the Debt Service Payment Account to the Class A Debt Service Reserve Accounts of the Programme Issuer and/or Existing Issuer and/or the Class B Debt Service Reserve Account of the Programme Issuer (to the extent one is maintained) as required to maintain at least the Required Balance, and in each case in accordance with the CTA.

AWL must procure that (save for any date upon which a drawing is to be made under a DSR Liquidity Facility or out of a Debt Service Reserve Account to make a payment into the Debt Service Payment Account in respect of Class A Debt or Class B Debt) on any Payment Date:

(a) the aggregate of (i) the committed DSR Liquidity Facilities in respect of Class A Debt; and (ii) all amounts standing to the credit of the Class A Debt Service Reserve Accounts (including the value of any Authorised Investments funded from amounts standing to the credit of the Class A Debt Service Reserve Accounts), are at least equal to the Class A Required Balance; and

(b) the aggregate of (i) the committed DSR Liquidity Facilities in respect of Class B Debt and (ii) all amounts standing to the credit of the Class B Debt Service Reserve Account (to the extent one is maintained) (including the value of any Authorised Investments funded from amounts standing to the credit of the Class B Debt Service Reserve Account) (after deducting from such credit balance all amounts that are required to be taken into account in order to satisfy the Class A Required Balance), are at least equal to the Class B Required Balance.

AWL, the Programme Issuer and the Existing Issuer shall procure that, subject to the terms of the DSR Liquidity Facility Agreements, a standby drawing is made under the relevant DSR Liquidity Facilities where any DSR Liquidity Facility Provider ceases for whatever reason, to have the LF Provider Minimum Rating or fails to renew its commitment upon the expiry of its term.

The Programme Issuer or the Existing Issuer may only withdraw amounts from a Debt Service Reserve Account in certain circumstances:

(a) where amounts standing to the credit of the Debt Service Payment Account are insufficient to pay the amount of the Scheduled Debt Service in full;

(b) to the extent that they are being used to repay a Standby Drawing to a DSR Liquidity Facility Provider;

(c) if prior to such withdrawal the Programme Issuer or the Existing Issuer delivers a certificate to the Security Trustee and the Account Bank certifying that following the making of such withdrawal the aggregate of the amounts standing to the credit of the applicable Debt Service Reserve Account

(including the value of any Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Account) and available for drawing under the DSR Liquidity Facilities in respect of Class A Debt and Class B Debt is at least equal to the Required Balance on the date of such withdrawal; or

(d) to the extent that they represent Income from amounts standing to the credit of the Debt Service Reserve Accounts and are transferred into the Debt Service Payment Account.

Authorised Investments

AWL, the Programme Issuer and the Existing Issuer are permitted, in accordance with the CTA, to invest in certain Authorised Investments from amounts standing to the credit of any of the Accounts.

Such Authorised Investments include:

(a) securities issued by the government of the United Kingdom;

(b) demand or time deposits, certificates of deposit and short term unsecured debt obligations, including commercial paper, provided that the relevant entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Authorised Investment Minimum Rating;

(c) any other obligations, provided that in each case the relevant investment has the Authorised Investment Minimum Rating;

(d) any money market funds or equivalent investments which have a rating of at least A by S&P, A3 by Moody's and A by Fitch (to the extent the Fitch Appointment Right has been exercised by the Transaction Agent) (provided that such rating shall not be required from any such Rating Agency that is not then rating the Bonds);

(e) any deposit made with the Account Bank; or

(f) any Bonds or Existing Issuer Bonds purchased for bona fide purposes as part of prudent treasury management policies.

Cash Management during a Standstill Period

Upon notice from the Security Trustee that a Standstill has occurred, the Standstill Cash Manager agrees that it will act as Standstill Cash Manager in accordance with the CTA and the STID, from such time and until instructed otherwise by, or until such instruction is withdrawn by the Security Trustee, and shall act upon the instructions of the Security Trustee.

In the case of any conflict between any instructions given to the Standstill Cash Manager by the Security Trustee and any other person, the instructions of the Security Trustee will prevail.

Following the commencement of a Standstill Period and for so long as it continues, and provided that no Enforcement Action (other than a Permitted Share Pledge Acceleration and other than any Independent Enforcement Action) has occurred:

(a) AWL shall cease to be the Cash Manager and will be replaced by the Standstill Cash Manager which shall control payments into and out of the Accounts in place of AWL, the Programme Issuer or the Existing Issuer;

(b) the Standstill Cash Manager shall pay all operating expenditure as and when it falls due; and

(c) the Standstill Cash Manager shall on a monthly basis calculate the aggregate of all payments falling to be made, or expected to fall to be made, during the next following period of 12 months and shall calculate all net revenues received and/or expected to be received over that 12 month period. To the extent that the forecast revenues are insufficient (after paying all relevant operating expenditure) to pay the aggregate of all payments falling to be made during the next 12 months, the Standstill Cash Manager shall notionally apply those forecast revenues to each category in accordance with the Payment Priorities until the revenue that is forecast to be available is insufficient to meet all of the payments falling to be made within such 12 month period in any sub paragraph of the Payment

Priorities (the "**Shortfall Paragraph**") and shall, in respect of those categories of payment falling within the Shortfall Paragraph, divide the anticipated revenues remaining *pro rata* between those amounts.

Throughout the Standstill Period:

(i) any payments falling to be made within a category of payment falling within a category of payment falling within a Shortfall Paragraph shall be satisfied by a payment of the pro rata share of that payment calculated as described above and the balance of the payment not made shall remain outstanding; and

(ii) no payments falling in a category which falls after a Shortfall Paragraph shall be made but such payments shall remain outstanding.

Following the commencement of a Standstill Period and until such Standstill Period is terminated in accordance with the STID, the calculation of the Annual Finance Charge as the same pertains to any Finance Lease shall be adjusted in accordance with the terms of such Finance Lease.

Security Agreement

Security

On the Initial Issue Date, each Obligor entered into the security agreement (as amended from time to time, the "**Security Agreement**") with the Security Trustee pursuant to which AWHL guarantees the obligations of each other Obligor under the Finance Documents and each of AWL, the Programme Issuer and the Existing Issuer guarantees the obligations of each other (but not AWHL) under the Finance Documents, in each case to the Security Trustee as security trustee for the Secured Creditors on the terms set out in the Security Agreement and the STID.

Each Obligor secured its property, assets and undertakings to the Security Trustee as trustee for the Secured Creditors. However, in respect of AWL, the creation, perfection and enforcement of such security is subject to the WIA, the Instrument of Appointment and requirements thereunder.

The Security Agreement, to the extent applicable, incorporates the provisions of the CTA and is subject to the STID.

The security constituted by the Security Agreement is expressed to include, amongst other things:

(i) first fixed charges over:

(a) the shares in AWL, the Programme Issuer and the Existing Issuer;

(b) each Obligor's right, title and interest from time to time in and to certain land and other real property and the proceeds of any disposal thereof;

(c) all present and future plant, machinery, office equipment, computers, vehicles and other chattels;

(d) all moneys standing to the credit of each Obligor's present and future bank accounts;

(e) certain Intellectual Property Rights owned by each Obligor;

(f) uncalled capital and goodwill;

(g) the rights and benefits under each Authorised Investment;

(h) all shares of any person owned by the Obligor (other than the Existing Dormant Subsidiaries) including all dividends, interest and other monies payable in respect thereof and all other rights related thereto;

(i) all present and future book debts and benefit of all rights, securities and guarantees of any nature; and

(j) all benefit in respect of certain insurances;

(ii) an assignment of each Obligor's right in respect of all Transaction Documents; and

(iii) a first floating charge of the whole of the undertaking of each Obligor,

except that the Security does include any security over Protected Land (see Chapter 6 "*Regulation of the Water Industry in England and Wales – Protected Land*") or any of AWL's other assets, property and rights to the extent, and for so long as, the taking of any such security would contravene the terms of the Instrument of Appointment and requirements thereunder or the WIA or any other applicable law.

For a description of certain limitations on the ability of AWL to grant security and certain limitations and restrictions on the security purported to be granted, see Chapter 4 "*Risk Factors – Security*" and Chapter 6 "*Regulation of the Water Industry in England and Wales – Security – Restrictions on the enforcement of Security*".

Prior to an Event of Default, notices of assignment will only be given to the relevant counterparties to the Transaction Documents that are assigned and to the insurers with whom AWL has taken out insurance in accordance with the requirements of the CTA (subject to certain agreed exceptions). Following an Event of Default, notices of assignment will be given in respect of any assigned contract or asset as requested by the Security Trustee upon the instructions of the Majority Creditors pursuant to the terms of the STID.

The Security is held on trust by the Security Trustee for itself and on behalf of the Secured Creditors in accordance with and subject to the terms of the STID.

Any Permitted Subsidiary acquired or established by AWL at any time following the Initial Issue Date is required to accede to the Security Agreement as an Obligor.

Additional Resources Available

Authorised Credit Facilities

Subject to certain conditions being met, the Programme Issuer, the Existing Issuer and AWL are permitted to incur certain indebtedness under the Authorised Credit Facilities. These Authorised Credit Facilities may comprise loan, hedging, finance leases, liquidity facilities and other facilities (including letter of credit facilities) subject to the terms of the CTA and the STID and subject to certain types of facilities only being available to certain Obligors (e.g. finance leases are limited to AWL; the Programme Issuer is permitted to issue Bonds, enter into DSR Liquidity Facilities and Hedging Agreements; and the Existing Issuer is only permitted to enter into DSR Liquidity Facilities). Each Authorised Credit Provider is a party to the CTA and the STID and may have voting rights thereunder. The Existing Hedging Counterparties and the Existing Authorised Credit Providers constituted Authorised Credit Providers as at the Initial Issue Date.

On 30 January 2013, the Programme Issuer entered into a commitment letter with a UK investor pursuant to which it issued a £95 million tranche of Class B Debt, which was privately placed with that UK investor on or around the Initial Issue Date. Such Class B Debt was not issued as Bonds under the Programme.

On 19 October 2021, the Programme Issuer entered into a note purchase agreement pursuant to which it issued a £130 million tranche of Class A Debt, which was privately placed. Such Class A Debt was not issued as Bonds under the Programme.

Liquidity Facilities

Liquidity Facilities – General

AWL, the Programme Issuer and the Existing Issuer are required to maintain certain Liquidity Facilities to cover certain debt and operating and maintenance payments as more fully described in "*– DSR Liquidity Facilities*" and "*– O&M Reserve Facility*" below. Such Liquidity Facilities will be entered into on similar terms relating to drawing and payment mechanics, rating requirements, events of default and termination provisions. A summary of such common terms is provided below.

Each Liquidity Facility Provider may be replaced at any time provided that such Liquidity Facility Provider is replaced by a bank with the LF Provider Minimum Rating and all amounts outstanding to such Liquidity Facility Provider are repaid in full.

Each Liquidity Facility Agreement will provide that amounts repaid by the Programme Issuer, the Existing Issuer or, as the case may be, AWL may be redrawn.

Each Liquidity Facility Agreement will provide that if the relevant Liquidity Facility Provider does not agree to renew its commitment under such Liquidity Facility prior to the expiry of the relevant availability period (a "**Non-Renewing Liquidity Facility Provider**"), the Programme Issuer, the Existing Issuer or, as the case may be, AWL will:

(a) use all commercially reasonable endeavours to replace the relevant Liquidity Facility Provider with a party having the LF Provider Minimum Rating; and

(b) if a replacement is not made within the relevant time period specified in the relevant Liquidity Facility Agreement, be entitled to require such Non-Renewing Liquidity Facility Provider to pay into the relevant Debt Service Reserve Account (in the case of DSR Liquidity Facilities) of the Programme Issuer and the Existing Issuer, or into the AWL's O&M Reserve Account (in the case of an O&M Reserve Facility) the full amount of the relevant Non-Renewing Liquidity Facility Provider's undrawn commitment (a "**Standby Drawing**").

Following such non-renewal, the commitment of the relevant Non-Renewing Liquidity Facility Provider will terminate and any Standby Drawing made in respect of such Non-Renewing Liquidity Facility Provider will fall to be repaid on the date falling five years of the date on which the facility renewal was due to occur.

Each Liquidity Facility Agreement will include minimum rating requirements applicable to the Liquidity Facility Providers. As at the date of this Prospectus, the short-term rating of National Australia Bank Limited (ABN 12 004 044 937) as Liquidity Facility Provider is F1+ by Fitch, P-1 by Moody's and A-1+ by S&P.

Each Liquidity Facility Agreement will provide that if any Liquidity Facility Provider does not or ceases to have the LF Provider Minimum Rating (an "**Affected Liquidity Facility Provider**"), the Programme Issuer, the Existing Issuer or, as the case may be, AWL:

(a) will, in the case of a downgrade by S&P, use commercially reasonable endeavours to find a substitute Liquidity Facility Provider within 30 business days, failing which, request a Standby Drawing; and

(b) in the case of a downgrade by Fitch and/or Moody's, may (but shall not be obliged to) appoint a substitute Liquidity Facility Provider within 30 business days, failing which may (but shall not be obliged to) request a Standby Drawing.

Unless the Liquidity Facility is terminated, accelerated or cancelled early, a Standby Drawing will generally be repayable only if (i) the relevant Liquidity Facility Provider is rated at least the LF Provider Minimum Rating, or (ii) (A) where a replacement Liquidity Facility is entered into on the terms acceptable to the Security Trustee, or, (B) in the absence of such replacement Liquidity Facility, where each of the Rating Agencies rating the Bonds provides an affirmation of the then current ratings of the Bonds in connection with the repayment of the Standby Drawings in the absence of the replacement Liquidity Facility, or, in the case of a Rating Agency whose then current rating policy does not allow it to issue such affirmation, where AWL, having consulted with such Rating Agency (where such Rating Agency was prepared to consult with AWL), has certified to the Security Trustee that the then current ratings of the Bonds will not be downgraded.

No Liquidity Facility Provider shall be obliged to make facilities available if (i) the Programme Issuer or the Existing Issuer fails to pay any sum under the Liquidity Facility Agreement or any related fee letter at the time, in the currency and in the manner specified therein unless payment is made within three Business Days; (ii) an Insolvency Event has occurred in relation to the Programme Issuer, the Existing Issuer or AWL; or (iii) an Acceleration of Liabilities (other than a Permitted Lease Termination, a Permitted Hedging Termination or a Permitted Share Pledge Acceleration) pursuant to the STID has occurred; or (iv) a Standstill Period terminates other than pursuant to a waiver of the Event of Default which gave rise to the

relevant Standstill Period by the Majority Creditors in accordance with the STID (each an "**LF Event of Default**").

Unless otherwise agreed by the Programme Issuer, the Existing Issuer or AWL and the Security Trustee, amounts becoming available to be drawn under a DSR Liquidity Facility Agreement (whether as a result of repayment of an earlier drawing or otherwise) will be treated as providing liquidity in respect of Class A Debt and to the extent necessary to ensure that the aggregate of the amount available under DSR Liquidity Facilities in respect of Class A Debt and Class B Debt and the amount standing to the credit of the Debt Service Reserve Accounts (including the value of any Authorised Investments funded from amounts standing to the credit of such Debt Service Reserve Accounts) equals the Required Balance, with any surplus providing liquidity in respect of Class B Debt.

Interest will accrue on any drawing (including a Standby Drawing) made under the Liquidity Facility provided by a Liquidity Facility Provider at a reference rate per annum plus a margin. Under the Liquidity Facility Agreements, the Programme Issuer, the Existing Issuer or, as the case may be, AWL will also, in certain circumstances, be required to pay additional amounts if (i) a withholding or deduction for or on account of tax is imposed on payments made by it to the relevant Liquidity Facility Provider; or (ii) if the relevant Liquidity Facility Provider suffers an increase in the cost of providing the relevant Liquidity Facility. The Programme Issuer, the Existing Issuer or, as the case may be, AWL will pay certain agency, arrangement and renewal fees as well as a commitment fee which will accrue on any undrawn portion of the commitments under the Liquidity Facilities.

Upon the enforcement of the Security pursuant to the STID, all indebtedness outstanding under any Liquidity Facility (other than Subordinated Liquidity Facility Amounts) will rank in priority to the Bonds.

DSR Liquidity Facilities

Each of AWL, the Programme Issuer and the Existing Issuer have agreed to maintain (in aggregate):

(a) committed DSR Liquidity Facilities available for drawing in respect of Class A Debt which, when aggregated with all amounts (including the value of any Authorised Investments funded from such amounts) standing to the credit of the Class A Debt Service Reserve Accounts are not less than the Class A Required Balance; and

(b) committed DSR Liquidity Facilities available for drawing in respect of Class B Debt which, when aggregated with all amounts (including the value of any Authorised Investments funded from such amounts) standing to the credit of the Class B Debt Service Reserve Account are not less than the Class B Required Balance.

The initial DSR Liquidity Facility will terminate on the earliest of the dates:

(a) on which all amounts due in respect of the Senior Debt have been repaid or discharged in full;

(b) on which final discharge under the Security Documents has occurred;

(c) on which it is accelerated and cancelled in accordance with the acceleration provisions thereof; and

(d) in the case of any DSR Liquidity Facility Provider who declines to accept a renewal request, which is the date falling 5 years after the renewal date on which such DSR Liquidity Facility Provider first declined to accept the renewal request.

O&M Reserve Facility

AWL must at all times maintain an O&M Reserve Facility to be provided by the O&M Reserve Facility Providers available for drawing which, when aggregated with amounts standing to the credit of the O&M Reserve Account (including the value of any Authorised Investments funded from amounts standing to the credit of the O&M Reserve Account of AWL), amount to not less than the O&M Reserve Required Amount.

Finance Leases

The Finance Documents permit AWL to enter into new Finance Leases in the future, subject to certain limits, and provided that any new Finance Lessor accedes to the CTA and the STID. No Existing Finance Lessors acceded to the CTA and/or the STID.

Hedging

The CTA provides that the Financing Group (other than AWHL) shall enter into Hedging Agreements in accordance with the Hedging Policy for the purposes of limiting the Obligors' exposure to inflation and to fluctuations in interest rates and currencies and, for the avoidance of doubt, the Hedging Policy will not apply to energy hedging, hedging entered into in the ordinary course of business and for non-speculative purposes.

The only members of the Financing Group that may enter into Hedging Agreements are AWL, the Programme Issuer and the Existing Issuer. At the date of the Prospectus, only AWL has entered into Hedging Agreements.

The Financing Group's actual exposure to interest rate and currency risk is regularly reviewed by AWL's board and managed in accordance with prudent treasury management policies.

Hedging Policy

Neither AWL nor the Programme Issuer will enter into Hedging Agreements for the purpose of speculation, but rather only to manage risk inherent in its business or funding on a prudent basis (which shall include any pre-hedging if thought appropriate).

Interest rate risk on floating rate liabilities will be hedged through a combination of cash balances, Authorised Investments and instruments such as interest rate swaps entered into by the Programme Issuer and/or AWL.

Treasury Transactions will be entered into in accordance with prudent treasury management policies.

Subject to certain restrictions on the timing of giving a notice of intention to exercise an optional termination of the Treasury Transactions, the Programme Issuer, the Existing Issuer and AWL have the right to enter into Treasury Transactions with Hedging Counterparties pursuant to which each relevant Hedging Counterparty has the right to terminate the relevant Treasury Transaction on the tenth anniversary of the effective date of such Treasury Transaction and thereafter no more frequently than at five-yearly intervals. In connection with the entry into such Treasury Transactions, the relevant Hedging Counterparty and the Programme Issuer, the Existing Issuer or AWL, as the case may be, will undertake to use all reasonable endeavours to enter into a replacement Treasury Transaction or deposit an amount which it estimates in its reasonable opinion is equal to the net amount (if any) payable upon termination by the relevant issuer or AWL into a designated account prior to any optional termination by the Hedging Counterparty. The aggregate notional amount and/or currency amounts (as applicable) of the Treasury Transactions which have the optional termination provisions described above is limited to 10 per cent. of RCV determined in respect of the date on which the right of termination would next be exercisable on the basis that the RCV shall be that projected by Ofwat for the end of the period covered by its most recent determination, as adjusted for Out-turn Inflation, as adjusted to take account of any off-setting transactions.

The Financing Group is required to maintain its total outstanding liability profile so that at all times at least 85 per cent. of its total outstanding liability profile is not exposed to interest rate volatility for the current Periodic Review Period and at least 75 per cent. of its total outstanding liability profile is not so exposed in the next Periodic Review Period.

The Financing Group is required not to bear currency risk in respect of any foreign currency denominated debt instruments, or in respect of any foreign currency purchases which, when aggregated with all other foreign currency exposure at the time of such purchase, causes the sterling equivalent of foreign currency exposure of the Financing Group to exceed the greater of: (i) 0.1 per cent. of RCV; or (ii) £1,000,000 (indexed) (converted at the applicable FX rate).

The Financing Group may manage its exposure to inflation risk through the use of index-linked instruments where it is cost effective.

AWL, the Programme Issuer and the Existing Issuer may only enter into a Treasury Transaction with a Hedging Counterparty who is rated no lower than the Hedging Counterparty Minimum Day 1 Rating Requirement (as defined below) as at the relevant trade date in respect of such Treasury Transaction (or who has procured a guarantee from an institution which meets the same criteria).

For these purposes, the "**Hedging Counterparty Minimum Day 1 Rating Requirement**" means: (i) in the case of Fitch, A- (long-term) (to the extent that the Fitch Appointment Right has been exercised by the Transaction Agent); (ii) in the case of Moody's: A3 (long-term); and (iii) in the case of S&P: A- (long-term), in each case to the extent that such ratings have been assigned to the relevant Hedging Counterparty by Fitch, Moody's or S&P, respectively (or such lower rating notified in writing to the Security Trustee by AWL which, in the opinion of AWL following discussions with the relevant Rating Agencies, would not lead to any downgrade or the placing on credit watch "negative" (or equivalent) of the then current ratings ascribed to any Class of Bonds).

Each Hedging Agreement will include a provision requiring each (as applicable) relevant Hedging Counterparty or guarantor in respect of such Hedging Counterparty to post (or procure posting on its behalf of) collateral under the Credit Support Annex entered into in respect of any Hedging Agreement where its (or its guarantor's) short-term and/or long-term, as applicable, unsecured, unsubordinated and unguaranteed debt obligations (or such obligations of its relevant guarantor, where applicable) cease to be rated Investment Grade by any Rating Agency. The amount of collateral to be posted will be calculated in accordance with the provisions of the relevant Credit Support Annex on a weekly basis.

For the purposes of the paragraph above, "**Investment Grade**" means: (i) in the case of Fitch: F3 (short-term) and BBB- (long-term) (to the extent that the Fitch Appointment Right has been exercised by the Transaction Agent); (ii) in the case of Moody's: P-3 (short-term) and Baa3 (long-term); and (iii) in the case of S&P: A-3 (short-term) and BBB- (long-term), in each case to the extent that such ratings have been assigned to (as applicable) the relevant Hedging Counterparty or guarantor in respect of such Hedging Counterparty by Fitch, Moody's or S&P, as applicable.

Termination of the Hedging Agreements

Each of AWL, the Programme Issuer and the Existing Issuer are entitled to terminate a Hedging Agreement in certain circumstances, including:

(a) failure to pay by the Hedging Counterparty;

(b) certain insolvency events affecting the Hedging Counterparty; and

(c) certain rating downgrade events affecting the Hedging Counterparty (or any guarantor of the Hedging Counterparty, as applicable) where the relevant Hedging Counterparty's (or its guarantor's) short-term and/or long-term, as applicable, unsecured, unsubordinated and unguaranteed debt obligations have been downgraded and it has failed to post collateral or take such other steps (if any) as may be stipulated in the relevant Hedging Agreement.

The Hedging Counterparty is entitled to terminate a Hedging Agreement only in certain limited circumstances in accordance with the CTA being:

(a) a failure by AWL, the Programme Issuer or the Existing Issuer, as the case may be, to make payment when due;

(b) certain insolvency events affecting AWL, the Programme Issuer or the Existing Issuer, as the case may be;

(c) an illegality event affecting the Hedging Agreement;

(d) a force majeure event affecting the Hedging Agreement;

(e) certain tax events and tax events upon merger;

(f) in respect of an existing swap transaction only, if a refinancing, repayment or prepayment in whole or in part of the Senior Lender Liabilities (as defined in the Master Definitions Agreement) occurs (such termination being on a pro rata basis between the Existing Hedging Counterparties);

(g) termination of a Standstill Period (except by virtue of remedy or waiver of the relevant Event of Default giving rise to the Standstill Period);

(h) the occurrence of the Discharge Date;

(i) in respect of a Hedging Transaction other than an existing swap transaction, if any part (but not all) of the Senior Debt is prepaid or cancelled prior to its maturity resulting in either of the Programme Issuer, the Existing Issuer or AWL (as the case may be) being over-hedged (provided that the Hedging Counterparty shall have the right to terminate an equivalent proportion (and not all) of the Hedging Agreement in order to avoid such over-hedging); or

(j) in whole or in part, without the consent of the Security Trustee, on such terms as may be agreed from time to time between the Hedging Counterparty and AWL, the Programme Issuer or the Existing Issuer, as the case may be, in order to allow the Financing Group to comply with the requirements of the Hedging Policy.

In the event that a Hedging Agreement is terminated, a termination payment may be due from AWL, the Programme Issuer or the Existing Issuer, as the case may be.

Hedging Transactions in connection with Super-Senior Interest Rate Hedging Agreements, Pari Passu Interest Rate Hedging Agreements and Currency Hedging Agreements in respect of Class A Debt and Currency Hedging Agreements in respect of Class B Debt must be entered into under separate ISDA Master Agreements between AWL, the Programme Issuer or the Existing Issuer, as the case may be, and the relevant Hedging Counterparty. If an Early Termination Date (as defined in the relevant Hedging Agreement) occurs or is designated and an amount is due and payable to such Hedging Counterparty pursuant to Section 6(e) of a Hedging Agreement (the "**Section 6(e) Amount**"), such amount shall relate only to the category of hedging to which that ISDA Master Agreement relates, and shall be satisfied in accordance with the provisions of the CTA. Where a Hedging Counterparty has entered into more than one Hedging Agreement with one or more of AWL, the Programme Issuer or the Existing Issuer, and an Early Termination Date occurs in respect of more than one of those Hedging Agreements at the same time, each Section 6(e) Amount shall constitute a separate amount payable by the relevant Obligor in accordance with the CTA.

Other Finance Documents

Account Bank Agreement

Pursuant to the Account Bank Agreement, the Account Bank agreed to hold the Accounts (other than any Cash Cover Accounts opened at another bank or financial institution in accordance with any applicable Authorised Credit Facility) and operate them in accordance with the instructions of the Transaction Agent or Standstill Cash Manager (as applicable). The Cash Manager or Standstill Cash Manager (as applicable) manages the Accounts on behalf of the Financing Group pursuant to the CTA (see section "*– Cash Management*" above).

Tax Deed of Covenant

Pursuant to the Tax Deed of Covenant, among other things, all the parties thereto which are members of the Affinity Group made representations and gave covenants with a view to protecting the Obligors from various tax-related risks.

Under the terms of the Tax Deed of Covenant, each Obligor gave certain representations and covenants as to its tax status and to the effect that, subject to the Obligors' membership of the AWL VAT Group, it has not taken and, save in certain permitted circumstances, will not take any steps which could reasonably be expected to give rise to a liability to tax for an Obligor where that tax is primarily the liability of another person (a "**Secondary Tax Liability**") and, save in certain permitted circumstances, that it will not take any steps and will procure that no steps are taken which would cause any Obligor to become subject, *inter alia*, to any charge to corporation tax on chargeable gains under section 179 of the Taxation of Chargeable

Gains Act 1992, section 345, 631 or 780 of Corporation Tax Act 2009 (each a "**Degrouping Tax Charge**") or to stamp duty land tax as a result of the withdrawal of group relief under paragraph 3 or 9 of schedule 7 to the Finance Act 2003 (an "**SDLT Clawback**").

Affinity Water Acquisitions (Investments) Limited, Affinity Water Acquisitions (Holdco) Limited ("**AWAHL**") and the Parent (the "**Covenantors**") also represented and covenanted that, other than where liability arises from membership of the AWL VAT Group, no steps have been taken nor will be taken which might reasonably be expected to give rise to a Secondary Tax Liability in an Obligor, and that they will not take and will procure, to the extent that they are able to do so, that no steps are taken which cause an Obligor to be subject to a Degrouping Tax Charge or SDLT Clawback.

Under the Tax Deed of Covenant, AWAHL undertook to indemnify the Obligors against any Secondary Tax Liability, Degrouping Tax Charge or SDLT Clawback which arises as a result of the breach of the covenants referred to above.

With a view to preventing or mitigating a Secondary Tax Liability, Degrouping Tax Charge or SDLT Clawback arising in an Obligor, the Covenantors and the Obligors (among others), under the Tax Deed of Covenant, incurred certain obligations in relation to specified events including changes in ownership of the Obligors. For example, the Tax Deed of Covenant provides that in certain circumstances where it is anticipated that there will be a change of control for tax purposes of AWHL and therefore of the Obligors (for example, as a result of the sale of shares in AWHL, Holdco or the Parent), the Parent can be required, as a condition of that sale, to deposit an amount in a trust account equal to the estimated tax liability (if any) arising or likely to arise to an Obligor as a result of the sale. The money deposited could then be used to pay the tax liability of the Obligor.

The AWL VAT Group (of which AWL is the representative member) comprises certain members of the Affinity Group, including AWL and AWHL. With a view to mitigating the possibility of any Obligor becoming liable (on a joint and several basis or otherwise) for any VAT liability of another person (other than an Obligor), the Obligors and the Covenantors represented and covenanted that no other person shall (other than as a result of a change of law) become treated as a member of the AWL VAT Group without the consent of the Security Trustee. AWAHL undertook to indemnify AWL (and each other member of the AWL VAT Group) or procure that AWL (and each other member of the AWL VAT Group) is indemnified in respect of any Tax liability which AWL (or such other member of the AWL VAT Group) may incur by virtue of any member of the Affinity Group (other than an Obligor) having been a member of the AWL VAT Group.

CHAPTER 8
TERMS AND CONDITIONS OF THE BONDS

Terms and Conditions of the Bonds

*The following is the text of the terms and conditions which (subject to the provisions of the relevant Final Terms (as defined below) and, save for the italicised paragraphs) will be incorporated by reference into each Global Bond (as defined below) representing Bonds (as defined below) in bearer form, Bonds in definitive form (if any) issued in exchange for the Global Bond(s) representing Bonds in bearer form, each Registered Bond (as defined below) in global form (a "**Registered Global Bond**") representing Bonds in registered form and each Registered Bond in definitive form (a "**Definitive Registered Bond**") representing Bonds in registered form (only if such incorporation by reference is permitted by the rules of the relevant Stock Exchange and agreed by the Programme Issuer). If such incorporation by reference is not so permitted and agreed, each Bond in bearer form and each Definitive Registered Bond representing Bonds in registered form will have endorsed thereon or attached thereto such text (as so completed, amended, varied or supplemented). Further information with respect to each Tranche (as defined below) of Bonds will be given in the relevant Final Terms which will provide for those aspects of these Conditions which are applicable to such Tranche (as defined below) of Bonds and endorsement and, in the case of all Sub-Classes (as defined below), the terms of the relevant advance under the relevant Programme Issuer/AWL Loan Agreement. References in the Conditions to "**Bonds**" are, as the context requires, references to the Bonds of one Sub-Class only, not to all Bonds which may be issued under the Programme.*

Affinity Water Finance PLC (the "**Programme Issuer**") has established a guaranteed bond programme (the "**Programme**") for the issuance of up to £2,500,000,000 guaranteed bonds (the "**Bonds**"). Bonds issued under the Programme on a particular Issue Date comprise a Series (a "**Series**"), and each Series comprises one or more Classes of Bonds (each a "**Class**"). Each Class may comprise one or more sub-classes (each a "**Sub-Class**") and each Sub-Class comprising one or more tranches (each a "**Tranche**").

Bonds issued by the Programme Issuer will be designated as "**Class A Bonds**" or "**Class B Bonds**" and will represent "**Class A Debt**". Each Sub-Class will be denominated in different currencies or will have different interest rates, maturity dates or other terms. Bonds of any Class may be fixed rate bonds ("**Fixed Rate Bonds**"), floating rate bonds ("**Floating Rate Bonds**"), index-linked bonds ("**Indexed Bonds**") instalment bonds ("**Instalment Bonds**") or zero coupon bond ("**Zero Coupon Bonds**") depending on the method of calculating interest payable in respect of such Bonds and may be denominated in sterling, euro, U.S. dollars or in other currencies subject to compliance with applicable law.

The terms and conditions applicable to any particular Sub-Class of Bonds are these terms and conditions ("**Conditions**") completed by a set of final terms in relation to such Sub-Class (a "**Final Terms**"). In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail. Reference to "**Final Terms**" is to the Final Terms applicable to the Bonds.

The Bonds are subject to and have the benefit of a trust deed dated on 4 February 2013 (the "**Initial Issue Date**") (as amended, supplemented, restated and/or novated from time to time, the "**Bond Trust Deed**") between, amongst others, the Programme Issuer and Deutsche Trustee Company Limited as trustee (the "**Bond Trustee**", which expression includes the trustee or trustees for the time being of the Bond Trust Deed).

The Bonds have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the "**Agency Agreement**") dated on the Initial Issue Date (to which the Programme Issuer, the Bond Trustee, the Principal Paying Agent and the other Paying Agents (in the case of Bearer Bonds) or the Transfer Agents and the Registrar (in the case of Registered Bonds) are party). As used herein, each of "**Principal Paying Agent**", "**Paying Agents**", "**Agent Bank**", "**Transfer Agents**" and/or "**Registrar**" means, in relation to the Bonds, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents, Agent Bank, Transfer Agents and/or Registrar, respectively, and, in each case, any successor to such person in such capacity. The Bonds may also have the benefit (to the extent applicable) of a calculation agency agreement (in the form or substantially in the form of Schedule 1 to the Agency Agreement, the "**Calculation Agency Agreement**") between, *inter alios*, the Programme Issuer and any calculation agent appointed by the Programme Issuer as calculation agent (the "**Calculation Agent**").

On the Initial Issue Date, the Programme Issuer entered into a security agreement (the "**Security Agreement**") with Deutsche Trustee Company Limited as security trustee (the "**Security Trustee**"), pursuant to which the Programme Issuer, the Existing Issuer, AWL and AWHL granted certain fixed and floating charge security (the "**Security**") to the Security Trustee for itself and on behalf of, among others, the Bond Trustee (for itself and on behalf of the Bondholders), the Bondholders, the Programme Issuer, the Existing Issuer, AWL, each Liquidity Facility Provider, each Finance Lessor, the Hedging Counterparties, the Liquidity Facility Agents, each Authorised Credit Provider (as defined below), each Agent, the Account Bank, the Cash Manager (other than when the Cash Manager is AWL), the Standstill Cash Manager and any Additional Secured Creditors (each as defined therein) (together with the Security Trustee, the "**Secured Creditors**"). On the Initial Issue Date, the Programme Issuer entered into a security trust and intercreditor deed (as may be amended from time to time, the "**STID**") with, among others, the Security Trustee and the other Secured Creditors and pursuant to which the Security Trustee holds the Security on trust for itself and the other Secured Creditors and the Secured Creditors will agree to certain intercreditor arrangements.

The Programme Issuer entered into a Dealership Agreement dated 18 January 2013 (as may be amended, supplemented, restated and/or novated from time to time, the "**Dealership Agreement**") with the dealers named therein (the "**Dealers**") in respect of the Programme, pursuant to which any of the Dealers may enter into a subscription agreement in relation to each Sub-Class of Bonds issued by the Programme Issuer, and pursuant to which the Dealers have agreed to subscribe for the relevant Sub-Class of Bonds. In any subscription agreement relating to a Sub-Class of Bonds, any of the Dealers may agree to procure subscribers to subscribe for the relevant Sub-Class of Bonds.

On the Initial Issue Date, the Programme Issuer entered into a common terms agreement (as may be amended, supplemented, restated and/or novated from time to time, the "**Common Terms Agreement**") with, among others, the Security Trustee, pursuant to which the Programme Issuer, the Existing Issuer, AWL and AWHL makes certain representations, warranties and covenants and which sets out in Schedule 6 (*Events of Default*) thereof the Events of Default (as defined therein) in relation to the Bonds.

The Programme Issuer, the Existing Issuer or AWL entered into liquidity facility agreements (together, the "**DSR Liquidity Facility Agreements**") with certain liquidity facility providers (together, the "**DSR Liquidity Facility Providers**") pursuant to which the DSR Liquidity Facility Providers agree to make certain facilities (the "**DSR Liquidity Facilities**") available to meet debt service liquidity shortfalls.

AWL entered into or may enter into certain credit facilities (together with the Revolving Credit Facilities, the DSR Liquidity Facilities, the O&M Reserve Facilities and any other facilities entered into by AWL from time to time, the "**Authorised Credit Facilities**") with certain lenders (together with the lenders in respect of other Authorised Credit Facilities, the "**Authorised Credit Providers**"), pursuant to which the Authorised Credit Providers agree to make certain facilities available to AWL for the purpose of funding certain working capital, capital expenditure and other expenses of the Financing Group.

AWL and/or the Programme Issuer and/or the Existing Issuer entered into or may enter into certain currency, index linked and interest rate hedging agreements (together, the "**Hedging Agreements**") with certain Hedging Counterparties (together the "**Hedging Counterparties**") in respect of certain Sub-Classes of Bonds and Authorised Credit Facilities, pursuant to which the Programme Issuer, the Existing Issuer, AWL, as the case may be, hedges certain of its currency, index linked and interest rate obligations.

The Bond Trust Deed, the Bonds (including the applicable Final Terms), the Existing Issuer Bond Trust Deed, the Existing Issuer Bonds, the Security Agreement, the STID (the STID, the Security Agreement and any other documentation evidencing or creating security over any asset of an Obligor to a Secured Creditor under the Finance Documents being together the "**Security Documents**"), the Finance Lease Documents, the Agency Agreement, the Liquidity Facility Agreements, the Hedging Agreements, the Programme Issuer/AWL Loan Agreements, the Existing Issuer/AWL Loan Agreements, the CTA, the CP Agreement, the Existing Authorised Credit Facilities, any other Authorised Credit Facilities, the master definitions agreement between, among others, the Programme Issuer and the Security Trustee dated on the Initial Issue Date and as amended, supplemented and/or restated from time to time (the "**Master Definitions Agreement**"), the account bank agreement between, among others, the account bank, the Programme Issuer and the Security Trustee (the "**Account Bank Agreement**") and the Tax Deed of Covenant will be, in relation to the Bonds, (and together with each other agreement or instrument between AWL and the Programme Issuer or the Existing Issuer (as applicable) and an Additional Secured Creditor designated as a Finance Document by the Transaction Agent, the Security Trustee and such Additional Secured Creditor

in the Accession Memorandum of such Additional Secured Creditor) together referred to as the "**Finance Documents**".

Terms not defined in these Conditions have the meaning set out in the Master Definitions Agreement.

Certain statements in these Conditions are summaries of the detailed provisions appearing on the face of the Bonds (which expression shall include the body thereof), in the relevant Final Terms or in the Bond Trust Deed, the Security Agreement or the STID. Copies of, *inter alia*, the Finance Documents are available for inspection during normal business hours at the specified offices of the Principal Paying Agent (in the case of bearer Bonds) or the specified offices of the Transfer Agents and the Registrar (in the case of registered Bonds), save that, if the Bond is an unlisted Bond of any Sub-Class, the applicable Final Terms will only be obtainable by a Bondholder holding one or more unlisted Bonds of that Sub-Class and such Bondholder must provide evidence satisfactory to the Programme Issuer and the relevant Agent as to its holding of such Bonds and identity.

The Bondholders (as defined below) are entitled to the benefit of, are bound by, are deemed to have notice of, all the provisions of the Bond Trust Deed, the STID, the Security Agreement, the CTA and the relevant Final Terms and to have notice of those provisions of the Agency Agreement and the other Finance Documents applicable to them.

Any reference in these Conditions to a matter being "**specified**" means as the same may be specified in the relevant Final Terms.

1. **Form, Denomination and Title**

(a) *Classes of Bonds*

Each Series of Bonds belongs to one of two classes of Bonds (each a "**Class**"). The available Classes of Bonds will be "Class A Bonds" and "Class B Bonds", and the Class of any Series of Bonds will be as indicated in the relevant Final Terms.

(b) *Form and Denomination*

(i) The Bonds are in bearer form ("**Bearer Bonds**") or in registered form ("**Registered Bonds**") as specified in the applicable Final Terms and, serially numbered, and in the Relevant Currency and the Specified Denomination(s) provided that, in the case of any Bonds which are to be admitted to trading on a regulated market the UK or offered to the public in the UK in circumstances which require the publication of a prospectus under the UK Prospectus Regulation, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Bonds). Bonds of one Specified Denomination may not be exchanged for Bonds of another Specified Denomination and Registered Bonds may not be exchanged for Bearer Bonds and vice versa. References in these Conditions to "Bonds" include Bearer Bonds and Registered Bonds and all Sub-Classes, Classes, Tranches and Series.

So long as the Bonds are represented by a temporary Global Bond or permanent Global Bond and the relevant clearing system(s) so permit, the Bonds shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided herein.

(ii) The Bonds may be zero coupon ("**Zero Coupon Bonds**"), fixed rate ("**Fixed Rate Bonds**"), floating rate ("**Floating Rate Bonds**"), index-linked ("**Indexed Bonds**"), dual currency bonds ("**Dual Currency Bonds**") or Instalment Bonds (defined below) depending on the method of calculating interest payable in respect of such Bonds and may be denominated in sterling, euro, U.S. dollars or in other currencies subject to compliance with applicable law.

(iii) Interest-bearing Bearer Bonds are serially numbered and issued with Coupons (as defined below) (and, where appropriate, a Talon, (as defined below)) attached, save in the case of Zero Coupon Bonds 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.

(iv) After all the Coupons attached to, or issued in respect of, any Bearer Bond which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

(v) Any Bearer Bond the principal amount of which is redeemable in instalments (an "**Instalment Bond**") may be issued with one or more Receipts (as defined below) (and, where appropriate, a Talon) attached thereto. After all the Receipts attached to, or issued in respect of, any Instalment Bond which was issued with a Talon have matured, a receipt sheet comprising further Receipts (other than Receipts which would be void) and (if necessary) a further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

(vi) Registered Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c) (*Exercise of Options or Partial Redemption in Respect of Registered Bonds*), each Certificate shall represent the entire holding of Registered Bonds by the same Bondholder.

(c) *Title*

(i) Title to Bearer Bonds, Coupons, Receipts and Talons (if any) passes by delivery. Title to Registered Bonds passes by registration in the register (the "**Register**"), which the Programme Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement.

(ii) In these Conditions, subject as provided below, each "**Bondholder**" (in relation to a Bond, Coupon, Receipt or Talon), "**holder**" and "**Holder**" means:

(A) in relation to a Bearer Bond, the bearer of any Bearer Bond, Coupon, Receipt or Talon (as the case may be); and

(B) in relation to Registered Bond, the person in whose name a Registered Bond is registered,

as the case may be.

(iii) The expressions "**Bondholder**", "**holder**" and "**Holder**" include:

(A) the holders of instalment receipts (which, in relation to Class A Bonds will be "**Class A Receipts**", in relation to Class B Bonds, "**Class B Receipts**" and together, the "**Receipts**"), appertaining to the payment of principal by instalments (if any) attached to such Bonds in bearer form (the "**Receiptholders**");

(B) the holders of the coupons (which, in relation to Class A Bonds will be "**Class A Coupons**", in relation to Class B Bonds, "**Class B Coupons**" and together, the "**Coupons**") (if any) appertaining to interest bearing Bonds in bearer form (the "**Couponholders**"); and

the expression Couponholders or Receiptholders includes the holders of talons in relation to Coupons or Receipts as applicable, (which, in relation to Class A Bonds will be "**Class A Talons**", in relation to Class B Bonds, "**Class B Talons**" and together, the "**Talons**") (if any) for further coupons or receipts, as applicable attached to such Bonds (the "**Talonholders**").

(iv) Except as ordered by a court of competent jurisdiction or as required by law, the bearer of any Bearer Bond, Coupon, Receipt or Talon and the registered holder of any Registered Bond will be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Bond, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein other than, in the case of a Registered Bond, a duly executed transfer of such Bond in the form endorsed on the Individual Bond Certificate in respect thereof) and no person will be liable for so treating the holder.

(v) Bonds which are represented by a Global Bond or Registered Global Bond will be transferable only in accordance with the rules and procedures for the time being of Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Programme Issuer, the Principal Paying Agent and the Bond Trustee.

(d) *Fungible Issues of Bonds Comprising a Sub-Class*

A Sub-Class of Bonds may comprise a number of issues in addition to the initial Tranche of such Sub-Class, each of which will be issued on identical terms save for the first Interest Payment Date, the Issue Date and the Issue Price. Such further issues of the same Sub-Class will be consolidated and form a Series with the prior issues of that Sub-Class.

2. **No Exchanges of Registered and Bearer Bonds; Transfers of Registered Bonds**

(a) *No Exchange of Registered and Bearer Bonds*

Registered Bonds may not be exchanged for Bearer Bonds and Bearer Bonds may not be exchanged for Registered Bonds.

(b) *Transfer of Registered Bonds*

A Registered Bond may be transferred upon the surrender of the relevant Definitive Registered Bond, together with the form of transfer endorsed on it duly completed and executed, at the specified office of any Transfer Agent or the Registrar. However, a Registered Bond may not be transferred unless: (i) the principal amount of Registered Bonds proposed to be transferred; and (ii) the principal amount of the Registered Bonds proposed to be the principal amount of the balance of Registered Bonds to be retained by the relevant transferor are, in each case, Specified Denominations (as specified in the relevant Final Terms). In the case of a transfer of part only of a holding of Registered Bonds represented by a Definitive Registered Bond, a new Definitive Registered Bond in respect of the balance not transferred will be issued to the transferor within three Business Days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer.

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Programme Issuer, with the prior written approval of the Registrar and the Bond Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon request, provided that such Bondholder must provide evidence satisfactory to the Registrar as to its holding of such Bonds and identity.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Bonds*

In the case of an exercise of the Programme Issuer's or Bondholders' option in respect of, or a partial redemption of, a holding of Registered Bonds represented by an Individual Bond Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed.

In the case of a partial exercise of an option resulting in Registered Bonds of the same holding having different terms, separate Certificates shall be issued in respect of those Bonds of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Bonds to a person who is already a holder of Registered Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) *Delivery of New Definitive Registered Bonds*

Each new Definitive Registered Bond to be issued upon transfer of Registered Bonds will, within three Business Days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer, be available for delivery at the specified office of the Transfer Agent or the Registrar stipulated in the form of transfer, or be mailed at the risk of the Bondholder entitled to the Definitive Registered Bond to such address as may be specified in such request or form of transfer.

For these purposes, a form of transfer received by the Registrar after the Record Date (as defined below) in respect of any payment due in respect of Registered Bonds shall be deemed not to be effectively received by the Registrar until the Business Day (as defined below) following the due date for such payment.

(e) *Exchange at the Expense of Transferor Bondholder*

Registration of Bonds on transfer will be effected at the expense of the transferor Bondholder by or on behalf of the Programme Issuer, the Transfer Agent or the Registrar, and upon payment of (or the giving of such indemnity as the Transfer Agent or the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

(f) *Closed Periods*

No Bondholder may require the transfer of a Registered Bond to be registered: (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Bond; (ii) during the period of 30 days prior to any date on which Bonds may be called for redemption by the Programme Issuer at its option pursuant to Condition 8(d) (*Optional Redemption*) or Condition 8(b) (*Programme Issuer Maturity Call*); (iii) after any such Bond has been called for redemption; or (iv) during the period of seven days ending on (and including) any Record Date.

3. **Status of the Bonds**

(a) *Status of Class A Bonds*

This Condition 3(a) (*Status of Class A Bonds*) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class A Bonds.

The Class A Bonds, Class A Coupons, Class A Talons and Class A Receipts (if any) are direct and unconditional obligations of the Programme Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Secured Creditors*) and rank *pari passu* without any preference among themselves.

(b) *Status of Class B Bonds*

This Condition 3(b) (*Status of Class B Bonds*) is applicable only in relation to Bonds issued by the Programme Issuer which are specified as being a Sub-Class of Class B Bonds.

The Class B Bonds, Class B Coupons, Class B Talons and Class B Receipts (if any) are direct and unconditional obligations of the Programme Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Secured Creditors*), are subordinated to the Class A Bonds, Class A Coupons, Class A Receipts and Class A Talons (if any) and rank *pari passu* without any preference among themselves.

(c) *Security Trustee Not Responsible for Monitoring Compliance*

Subject to certain exceptions, when granting any consent or waiver or exercising any power, trust, authority or discretion relating to or contained in the STID, the other Finance Documents or any Ancillary Documents, the Security Trustee will act as directed, requested or instructed by or subject to the agreement of the Majority Creditors (provided that the relevant Quorum Requirement has been met) or, in particular cases, other specified parties and in accordance with the provisions of the STID.

The Security Trustee shall not be responsible for monitoring compliance by AWL with any of its obligations under the Finance Documents to which it is a party except by means of receipt from AWL of certificates of compliance which AWL has covenanted to deliver to the Security Trustee pursuant to the provisions of the CTA and which will state among other things, that no Default is outstanding. The Security Trustee shall be entitled to rely on certificates absolutely unless it is instructed otherwise by the Majority Creditors (provided that the relevant Quorum Requirement has been met) in which case it will be bound to act on such instructions in accordance with the STID (subject to the Security Trustee being indemnified and/or prefunded and/or secured to its satisfaction). The Security Trustee is not responsible for monitoring compliance by any of the parties with their respective obligations under the Finance Documents. The Security Trustee may call for and is at liberty to accept as sufficient evidence a certificate signed by any two Authorised Signatories of any Obligor or any other party to any Finance Document to the effect that any particular dealing, transaction, step or thing is in the opinion of the persons so certifying suitable or expedient or as to any other fact or matter upon which the Security Trustee may require to be satisfied. The Security Trustee is in no way bound to call for further evidence or be responsible for any loss that may be occasioned by acting on any such certificate although the same may contain some error or is not authentic. The Security Trustee is entitled to rely upon any certificate believed by it to be genuine and will not be liable for so acting.

All Bondholders shall (on providing sufficient evidence of identity) be entitled to view a copy of the Periodic Information as and when available to the Security Trustee pursuant to the terms of the CTA and to view a copy of the unaudited interim accounts and audited annual accounts of AWL within 60 days of 30 September and 120 days of 31 of March of each year, respectively.

In addition, the Transaction Agent will covenant to provide the Security Trustee with certain additional information relating to the Programme Issuer and the Guarantors (as set out in Schedule 4, Part 1 "*Information Covenants*" of the CTA). Such information may (and in the case of Investor Reports, must) be published by the relevant Guarantor or the Programme Issuer (or by the Transaction Agent on its behalf) on a website designated by the Transaction Agent. Pursuant to the CTA, the Transaction Agent designated a website for these purposes on or prior to the Initial Issue Date.

In the event the relevant website cannot be accessed for technical reasons or is non-operational or is infected by an electronic virus or function software for a period of five consecutive days, all such information set out above which would otherwise be available will be delivered to the Security Trustee in paper form for onward delivery to the Bond Trustee and the Agents. Copies of such information will be available for inspection at the specified office of the Agents and the Bond Trustee.

4. **Security, Priority and Relationship with Secured Creditors**

(a) *Guarantee and Security*

Each of AWL, Affinity Water Holdings Limited ("**AWHL**") and the Existing Issuer will guarantee and secure the obligations of the Programme Issuer in respect of the Bonds pursuant to a security agreement (the "**Security Agreement**") that will be entered into by each Obligor in favour of the Security Trustee over the entire property, assets, rights and undertaking (subject to certain specified exceptions) of each such Obligor (the "**Security**"), in the case of AWL, to the extent permitted by the Act and the Instrument of Appointment (as defined below). There is no intention to create further security for the benefit of the holders of Bonds that issued after the Initial Issue Date. All Bonds issued by the Programme Issuer under the Programme and any additional creditor of the Programme Issuer acceding to the STID will share in the Security constituted by the Security Documents.

In these Conditions:

the "**Act**" means the United Kingdom Water Industry Act 1991 (as amended);

"**Instrument of Appointment**" means the Instrument of Appointment dated August 1989 under sections 11 and 14 of the Water Act 1989 (as in effect on 1 September 1989) (as amended/varied from time to time and as appended to the variation instrument dated 20 July 2012 coming into

effect on 27 July 2012 at 23:59, as amended from time to time) under which the Secretary of State for the Environment appointed AWL as a water undertaker under the WIA for the areas described in the Instrument of Appointment; and

"**Obligors**" means the Programme Issuer, the Existing Issuer, AWL and AWHL, together with any other entity which accedes to the Finance Documents as an Obligor in accordance with the terms thereof (including any Permitted Subsidiary), and "**Obligor**" means any of them.

(b) *Relationship Among Bondholders and with Other Secured Creditors*

The Bond Trust Deed will contain provisions detailing the Bond Trustee's obligations to consider the interests of the Bondholders as regards all powers, trusts and authorities, duties and discretions of the Bond Trustee (except where expressly provided or otherwise referred to in Condition 16 (*Bond Trustee Protections*)).

The STID will provide that the Security Trustee (except in relation to Reserved Matters and Entrenched Rights and subject to certain exceptions) will act on instructions of the Majority Creditors (subject to the Security Trustee being indemnified and/or prefunded and/or secured to its satisfaction) (provided that the relevant Quorum Requirement has been met) (including the Bond Trustee as trustee for and representative of the holders of each Sub-Class of Bonds) and, when so doing, the Security Trustee is not required to have regard to the interests of any Secured Creditor (including the Bond Trustee as trustee for and representative of the Bondholders or any individual Bondholder) in relation to the exercise of such rights and, consequently, has no liability to the Bondholders as a consequence of so acting.

(c) *Enforceable Security*

In the event of the Security becoming enforceable as provided in the STID, the Security Trustee shall, if instructed by the Majority Creditors (provided that the relevant Quorum Requirement has been met), enforce its rights with respect to the Security in accordance with the instructions of the Majority Creditors, but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Bondholder, provided that the Security Trustee shall not be obliged to take any action unless it is indemnified and/or secured and/or prefunded to its satisfaction.

(d) *Application After Enforcement*

After enforcement of the Security, the Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Accounts (other than the Excluded Accounts) to make payments in accordance with the Payment Priorities (as set out in the CTA).

(e) *Bond Trustee and Security Trustee not liable for security*

The Bond Trustee and the Security Trustee will not be liable for any failure to make the usual investigations or any investigations which might be made by a security holder in relation to the property which is the subject of the Security, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the relevant Obligor to the Security, whether such defect or failure was known to the Bond Trustee or the Security Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the Security created under the Security Documents whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such Security. The Bond Trustee and the Security Trustee have no responsibility for the value of any such Security.

5. **Programme Issuer's Covenants**

So long as any of the Bonds remain Outstanding, the Programme Issuer (together with other Obligors) will agree to comply with the covenants as set out in Schedule 4 (*Covenants*) to the CTA.

The Bond Trustee shall be entitled to rely absolutely on a certificate signed by two directors of the Programme Issuer in relation to any matter relating to such covenants and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter stated in such certificate.

6. **Interest and Other Calculations**

(a) *Interest on Fixed Rate Bonds and Indexed Bonds*

This Condition 6(a) is applicable only if the relevant Final Terms specify the Bonds as Fixed Rate Bonds or Indexed Bonds.

Each Fixed Rate Bond and Indexed Bond bears interest on its Principal Amount Outstanding and, if it is an Indexed Bond, adjusted for indexation in accordance with Condition 7 (*Indexation*) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Interest Rate(s). Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

The amount of interest payable in respect of each Fixed Rate Bond and Indexed Bond shall be the amount of interest payable per Calculation Amount multiplied by the Principal Amount Outstanding of such Bond and divided by the Calculation Amount and rounding the resultant figure to the nearest unit of the Relevant Currency in accordance with Condition 6(e) (*Rounding*).

The amount of interest payable per Calculation Amount in respect of any Fixed Rate Bond and Indexed Bond for any Fixed Interest Period shall be equal to the product of the Interest Rate, the Calculation Amount specified, and the Day Count Fraction for such Fixed Interest Period and rounding the resultant figure to the nearest unit of the Relevant Currency in accordance with Condition 6(e) (*Rounding*), unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Period, in which case the amount of interest payable per Calculation Amount in respect of such Bond for such Fixed Interest Period shall equal such Interest Amount (or be calculated in accordance with such formula).

Where any Interest Period comprises two or more Fixed Interest 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 Fixed Interest Periods.

If interest is required to be calculated for a period other than a Fixed Interest Period or if no Fixed Coupon Amount is specified in the applicable Final Terms, such interest payable per Calculation Amount shall be calculated (i) in the case of Bonds other than Indexed Bonds, by applying the Interest Rate to the Calculation Amount specified, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest unit of the Relevant Currency in accordance with Condition 6(e) (*Rounding*) and (ii) in the case of Indexed Bonds, on an actual/actual basis in line with the method used by the Debt Management Office for the United Kingdom Index-Linked Gilt Edged Market.

(b) *Interest on Floating Rate Bonds*

This Condition 6(b) is applicable only if the relevant Final Terms specifies the Bonds as Floating Rate Bonds.

(i) *Interest Payment Dates*

Each Floating Rate Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

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

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

Such interest will be payable in respect of each Interest Period.

The amount of interest payable in respect of each Floating Rate Bond shall be the amount of interest payable per Calculation Amount multiplied by the Principal Amount Outstanding of such Bond and divided by the Calculation Amount and rounding the resultant figure to the nearest unit of the Relevant Currency in accordance with Condition 6(e) (*Rounding*).

The amount of interest payable per Calculation Amount shall be determined in accordance with paragraph (iii) below.

(ii) *Interest Rate(s)*

The Interest Rate(s) payable from time to time in respect of the Floating Rate Bonds will be determined in the manner specified in the applicable Final Terms, **provided that** at any time the Interest Rate shall be at least zero per cent.

(A) **Screen Rate Determination for Floating Rate Bonds (EURIBOR)**

If "**Screen Rate Determination**" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, and the reference rate specified in the applicable Final Terms is EURIBOR, the Interest Rate applicable to the Bonds for each Interest Period will be determined by the Agent Bank (or the Calculation Agent, if applicable) on the following basis:

(1) if the Page (as defined below) displays a rate which is a composite quotation or customarily supplied by one entity, the Agent Bank (or the Calculation Agent, if applicable) will determine the Relevant Rate (as defined in Condition 6(l) (*Definitions*));

(2) in any other case, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the Relevant Rates (as defined in Condition 6(l) (*Definitions*)) which appear on the Page as of the Relevant Time (as defined in Condition 6(l) (*Definitions*)) on the relevant Interest Determination Date;

(3) if, in the case of (i) above, such rate does not appear on that Page or, in the case of (ii) above, fewer than two such rates appear on that Page or if, in either case, the Page is unavailable:

(I) the Programme Issuer will request the principal Relevant Financial Centre office of each of the Reference Banks (as defined in Condition 6(l) (*Definitions*)) to provide to the Agent Bank (of the Calculation Agent, if applicable) a quotation (expressed as a percentage rate per annum) of the Relevant Rate at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the Relevant Financial Centre (as defined in Condition 6(l) (*Definitions*)) interbank market (or, if appropriate, money market) in an amount that is representative for a single transaction in that market at that time; and

(II) subject to such quotation being provided, the Agent Bank (or the Calculation Agent, if applicable) shall determine the arithmetic mean of such quotations in each case appearing on such Page at the Relevant Time (as defined in Condition 6(l) (Definitions)) on the Interest Determination Date; and

(4) if fewer than two such quotations are provided as requested in Condition 6(b)(ii)(A)(3) above, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the rates (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) quoted by the Reference Banks (at the request of the Programme Issuer) at approximately 11.00 a.m. (local time in the

Relevant Financial Centre of the Relevant Currency) on the first day of the relevant Interest Period (as defined in Condition 6(l) (*Definitions*)) to the Agent Bank (or the Calculation Agent, if applicable) for loans in the Relevant Currency to leading European banks for a period equal to the relevant Interest Period and in the Representative Amount (as defined in Condition 6(l) (*Definitions*)),

and the Interest Rate for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined. However, if the Agent Bank (or the Calculation Agent, if applicable) is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate applicable to the Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Bonds in respect of a preceding Interest Period, subject in each case to Condition 6(b)(iii) (*Benchmark Discontinuation*) below.

"**EURIBOR**" means the interest rate benchmark known as the Euro zone interbank offered rate for Euro deposits for such period as specified in the relevant Final Terms and for each Interest Period thereafter, for Euro deposits for the relevant Interest Period as determined by reference to (1) on the display Page designated EURIBOR01 on the Dow Jones Reuters Service (or such other Page as may replace that page on that service) as of the Interest Determination Date at the Relevant Time or (2) if that service ceases to display such information, such Page as displays such information on such service (or, if more than one, that one previously approved in writing by the Programme Issuer) as may replace the Dow Jones Reuters Monitor as of the Interest Determination Date and the Relevant Time.

"**Specified Currency**" means the currency specified in the applicable Final Terms.

(B) **Screen Rate Determination for Floating Rate Bonds (SONIA)**

If "**Screen Rate Determination**" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, and the Reference Rate specified in the applicable Final Terms is SONIA, the Interest Rate for each Interest Period will be the Compounded Daily SONIA as determined by the Calculation Agent plus or minus the Margin (as specified in the applicable Final Terms).

"**Compounded Daily SONIA**", with respect to each Interest Period, will be calculated by the Calculation Agent on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 per cent. being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{r_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**Applicable Period**" means:

(1) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, in relation to any Interest Period, the Reference Period relating to such Interest Period; and

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

"**d**" is the number of calendar days in the Applicable Period;

"**d_o**" is the number of London Banking Days in the Applicable Period;

"**i**" is a series of whole numbers from one to do, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the Applicable Period;

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

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

"**Observation Method**" has the meaning given to it in the applicable Final Terms;

"**p**" is the number of London Banking Days included in the Reference Look Back Period, as specified in the applicable Final Terms, being at least 5 London Banking Days;

"**r_i**" means:

(1) where "Lag" is specified as the Observation Method in the applicable Final Terms, in respect of any London Banking Day "i" falling in the relevant Interest Period, the SONIA Reference Rate for the London Banking Day which is "p" London Banking Days prior to the relevant London Banking Day "i"; or

(2) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, in respect of any London Banking Day "i" falling in the relevant Reference Period, the SONIA Reference Rate;

"**Reference Look Back Period**" means the whole number specified as the Reference Look Back Period in the applicable Final Terms, such number representing a number of London Banking Days (and which shall not be specified in the applicable Final Terms as less than five without the prior agreement of the Calculation Agent);

"**Reference Period**" means, in respect of an Interest Period, the period from and including the date falling "p" London Banking Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Bonds become due and payable); and

the "**SONIA Reference Rate**", in respect of any London Banking Day, is a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Page or, if the Page is unavailable, as otherwise published by such authorised distributors (on the London Banking Day immediately following such London Banking Day), or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England's Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Reference Rate).

For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA Reference Rate in respect of any London Banking Day. The SONIA Reference Rate applied to a day that is a non-London Banking Day will be taken by applying the SONIA Reference Rate for the previous London Banking Day but without compounding.

If, subject to Condition 6(b)(iii)(*Benchmark Discontinuation*), in respect of any London Banking Day in the relevant Reference Period, the Calculation Agent determines that the SONIA Reference Rate is not available on the Page or has not otherwise been published by the relevant authorised distributors or the Bank of England, such SONIA Reference Rate shall be:

(1) (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or

(2) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day, the SONIA Reference Rate published on the Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the Page (or otherwise published by the relevant authorised distributors).

Notwithstanding the paragraphs above, but subject to Condition 6(b)(iii) (*Benchmark Discontinuation*), if the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined or (ii) any rate that is to replace the SONIA Reference Rate, the Calculation Agent shall, subject to receiving written instructions from the Programme Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine SONIA for the purpose of the Bonds for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors or the Bank of England. To the extent that any amendments or modifications to the Conditions, the Bond Trust Deed or the Agency Agreement are required in order for the Calculation Agent to follow such guidance in order to determine the Interest Rate, the Calculation Agent shall have no obligation to act until such amendments or modifications have been made in accordance with the Conditions, the Bond Trust Deed and the Agency Agreement.

In the event that the Interest Rate cannot be determined in accordance with the foregoing provisions, the Interest Rate shall be: (A) that determined as at the last preceding Interest Determination Date (through substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period); or (B) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to the Bonds for the first Interest Period had the Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin applicable to the first Interest Period).

If the Bonds either (a) become due and payable in accordance with Condition 11(a) (*Events of Default*), or (b) are redeemed before the Maturity Date specified in the applicable Final Terms in accordance with Condition 8 (*Redemption, Purchase and Cancellation*) then, for such Bonds (and in the case of limb (b) of this paragraph, only such Bonds which are so redeemed), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the Final Terms, be deemed to be the date on which the Bonds became due and payable or the date fixed for such redemption (with corresponding adjustments being deemed to be made to the Compounded Daily SONIA formula); and the Interest Rate on the Bonds shall, for so long as the Bonds remain outstanding, be that determined on such date.

(C) **ISDA Determination for Floating Rate Bonds**

If "**ISDA Determination**" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Agent Bank (or the Calculation Agent, if applicable) under an interest rate swap transaction if the Agent Bank (or the Calculation Agent, if applicable) were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(2) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 6(l) (*Definitions*));

(3) the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on SONIA, the first day of that Interest Period, (2) if the relevant Floating Rate Option is based on EURIBOR, the first day of that Interest Period or (3) in any other case, as specified in the relevant Final Terms; and

(4) references in the ISDA Definitions to:

(a) "Confirmation" shall be deemed to be references to the applicable Final Terms;

(b) "Calculation Period" shall be deemed to be references to the relevant Interest Period;

(c) "Termination Date" shall be deemed to be references to the Maturity Date; and

(d) "Effective Date" shall be deemed to be references to the Interest Commencement Date,

provided, however, that if the Agent Bank (or Calculation Agent, if applicable) is unable to determine a rate in accordance with the above provisions in relation to any Interest Period, then the Interest Rate applicable to the next succeeding Interest Period shall be equal to the sum of the Margin (if applicable) and the rate last determined in relation to the Bonds in respect of the immediately preceding Interest Period.

(iii) *Benchmark Discontinuation*

(A) Independent Adviser

If the Programme Issuer determines that a Benchmark Event occurs in relation to an Original Reference Rate when any Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Programme Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(b)(iii)(B) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 6(b)(iii)(D) (*Benchmark Amendments*)). In making such determination, the Independent Adviser appointed pursuant to this Condition 6(b)(iii) shall act in good faith and in a commercially reasonable manner. In the absence of bad faith, fraud or negligence, the Independent Adviser shall have no liability whatsoever to the Programme Issuer, the Bond Trustee, the Paying Agents, the Bondholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 6(b)(iii).

If (i) the Programme Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate and, in either case, an Adjustment Spread (if any) and any Benchmark Amendments, in accordance with this Condition 6(b)(iii)(A) the date five Business Days prior to the relevant Interest Determination Date, the Interest Rate applicable to the next succeeding Interest Period shall be equal to the Interest Rate last determined in relation to the Bonds in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Interest Rate shall be the initial Interest Rate. Where a different Margin or Maximum Interest Rate or Minimum Interest Rate is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Interest Rate or Minimum Interest Rate relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum Interest Rate or Minimum Interest Rate relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 6(b)(iii)(A).

(B) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in this Condition 6(b)(iii)) subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Bonds (subject to the operation of this Condition 6(b)(iii)); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Bonds (subject to the operation of this Condition 6(b)(iii)).

(C) Adjustment Spread

If the Independent Adviser determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(D) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 6(b)(iii) and the Independent Adviser, determines (i) that amendments to these Conditions, Agency Agreement and/or the Bond Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Programme Issuer shall, subject to giving notice thereof in accordance with Condition 6(b)(iii)(E) (*Notices*), without any requirement for the consent or approval of Bondholders, vary these Conditions, the Agency Agreement and/or the Bond Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Programme Issuer, but subject to receipt by the Bond Trustee, the Calculation Agent and the Agents of a certificate signed by two Directors/Authorised Signatories of the Programme Issuer pursuant to Condition 6(b)(iii)(E) (*Notices*), each of the Bond Trustee, the Calculation Agent and the Agents shall (at the expense and request of the Programme Issuer), without any requirement for the consent or approval of the Bondholders, be obliged to concur with the Programme Issuer in using its reasonable endeavours to effect any Benchmark Amendments (including, *inter alia,* by the execution of a deed or agreement supplemental to or amending the Bond Trust Deed or the Agency Agreement, as applicable), and for the avoidance of doubt, the Bond Trustee, the Calculation Agent and the Agents shall not be liable to any party for any consequences thereof. Notwithstanding the above, each of the Bond Trustee, the Agents and the Calculation Agent shall not be obliged so to concur if in the opinion of the Bond Trustee, the Agents or the Calculation Agent (as applicable) doing so would (x) impose more onerous obligations upon it or expose it to any additional duties or responsibilities, or any liabilities against which it has not been indemnified and/or secured and/or prefunded to its satisfaction, or (y) reduce or amend the protective provisions afforded to it in these Conditions, the Agency Agreement or the Bond Trust Deed and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

In connection with any such variation in accordance with this Condition 6(b)(iii)(D), the Programme Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

(E) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 6(b)(iii) will be notified promptly by the Programme Issuer to the Bond Trustee, the Calculation Agent, the Agents and, in accordance with Condition 17 (*Notices*), the Bondholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

(I) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendment, in each case as determined in accordance with the provisions of this Condition 6(b)(iii); and

(II) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

Each of the Bond Trustee, the Calculation Agent and the Agents 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 (if any) 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 (if any) and the Benchmark Amendments (if any) and without prejudice to the Bond Trustee's, the Calculation Agent's and the Agents' ability to rely on such certificate as aforesaid) be binding on the Programme Issuer, the Bond Trustee, the Calculation Agent, the Agents and the Bondholders.

(F) Survival of Original Reference Rate

Without prejudice to the obligations of the Programme Issuer under Condition 6(b)(iii)(A) (*Independent Adviser*), Condition 6(b)(iii)(B) (*Successor Rate or Alternative Rate*), Condition 6(b)(iii)(C) (*Adjustment Spread*) and Condition 6(b)(iii)(D) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 6(b)(ii)(B) (*Screen Rate Determination for Floating Rate Bonds (EURIBOR*)) and Condition 6(b)(ii)(B) (*Screen Rate Determination for Floating Rate Bonds (SONIA*)) will continue to apply unless and until the Programme Issuer determines that a Benchmark Event has occurred.

Notwithstanding any other provision of this Condition 6(b)(iii), if in the Agent Bank's (or Calculation Agent's, if applicable) opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 6(b)(iii), the Agent Bank (or Calculation Agent, if applicable) shall promptly notify the Programme Issuer thereof and the Programme Issuer shall direct the Agent Bank (or Calculation Agent, if applicable) in writing as to which alternative course of action to adopt. If the Agent Bank (or Calculation Agent, if applicable) is not promptly provided with such direction or is otherwise unable to make such calculation or determination for any reason, it shall notify the Programme Issuer thereof and the Agent Bank (or Calculation Agent if applicable) shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

(iv) *Calculations*

The amount of interest payable per Calculation Amount in respect of any Floating Rate Bond for each Interest Period shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount specified by the Day Count Fraction (as defined in Condition 6(l) (*Definitions*) and rounding the resultant figure to the nearest unit of the Relevant Currency (rounded in accordance with Condition 6(e) (*Rounding*))).

(c) *Zero Coupon Bonds*

Where a Bond, the basis of Interest 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 Bond. As from the Maturity Date, the Interest Rate for any overdue principal of such a Bond shall be a rate per annum (expressed as a percentage) equal to the Accrual Yield (as described in Condition 8(h) (*Early Redemption of Zero Coupon Bonds*)).

(d) *Minimum Interest Rate and/or Maximum Interest Rate*

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified, as the case may be.

(e) *Rounding*

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

(i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);

(ii) all figures will be rounded to seven significant figures (with halves being rounded up); and

(iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, "**unit**" means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

(f) *Business Day Convention*

If any date referred to in these Conditions or the relevant Final Terms is specified to be subject to adjustment in accordance with a Business Day convention and (x) if there is no numerically corresponding day on the calendar month in which such date should occur or (y) such date would otherwise fall on a day which is not a Business Day (as defined in Condition 6(b)(i) (*Interest Payment Dates*)), then if the Business Day Convention specified in the relevant Final Terms is:

(i) the "**Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day;

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

(iii) the "**Preceding Business Day Convention**", such date shall be brought forward to the immediately preceding Business Day.

(g) *Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts*

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank (or the Calculation Agent, if applicable) may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (as specified in the applicable Final Terms, an "**Instalment Amount**"), obtain any quote or make any determination or calculation, the Agent Bank (or the Calculation Agent, if applicable) will determine the Interest Rate and calculate the Interest Amount for the relevant Interest Period (including, for the avoidance of doubt any applicable Index Ratio to be calculated in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*), Condition 7(g) (*Application of the Index Ratio (HICP)*) or Condition 7(j) (*Application of the Index Ratio (CPI and CPIH)*), as applicable, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount, Principal Amount Outstanding or any Instalment Amount to be notified to, in the case of Bearer Bonds, the Paying Agents or in the case of Registered Bonds, the Registrar, and, in each case, the Bond Trustee, the Programme Issuer, the Bondholders and the London Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Bonds have then been admitted to listing, trading and/or quotation) as soon as possible after its determination but in no event later than (i) (in case of notification to the London Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Bonds have then been admitted to listing, trading and/or quotation) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount; or (ii) in all other cases, the fourth Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or

appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Sub-Class or Tranche of Bonds are for the time being listed or by which they have been admitted to listing and to the Bondholders in accordance with Condition 17 (*Notices*). If the Bonds become due and payable under Condition 11 (*Events of Default*), the accrued interest and the Interest Rate payable in respect of the Bonds shall nevertheless continue to be calculated as previously provided in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Bond Trustee. If the Calculation Amount is less than the minimum Specified Denomination, the Agent Bank (or the Calculation Agent, if applicable) may publish only the Calculation Amount and the Interest Amount in respect of a Bond having the minimum Specified Denomination. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank (or the Calculation Agent, if applicable) or, as the case may be, the Bond Trustee pursuant to this Condition 6 or Condition 7 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

(h) *Accrual of Interest*

Interest will cease to accrue on each Bond (or, in the case of the redemption of part only of a Bond, that part only of such Bond) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 6(l) (*Definitions*)).

(i) *Deferral of interest on Class B Bonds*

This Condition 6(i) is applicable only in relation to Bonds issued by the Programme Issuer which are specified as being Class B Bonds.

In the case of interest on Class B Bonds only, if, on any Interest Payment Date prior to the taking of Enforcement Action, there are insufficient funds available to the Programme Issuer (after taking into account any amounts available to be drawn under any DSR Liquidity Facility or from the Debt Service Reserve Accounts) to pay such accrued interest, the Programme Issuer's liability to pay such accrued interest will be treated as not having fallen due and will be deferred until the earliest of: (i) the next following Interest Payment Date on which the Programme Issuer has, in accordance with the cash management provisions of Schedule 10 (*Cash Management*) of the CTA, sufficient funds available to pay such deferred amounts (including any interest accrued thereon); (ii) the date on which the Class A Debt has been paid in full; and (iii) an Acceleration of Liabilities (other than a Permitted Hedging Termination or a Permitted Lease Termination) and in the case of a Permitted Share Pledge Acceleration only to the extent that there would be sufficient funds available in accordance with the Payment Priorities to pay such deferred interest (including any interest accrued thereon). Interest will accrue on such deferred interest at the rate otherwise payable on unpaid principal of such Class B Bonds.

(j) *Agent Bank, Calculation Agent and Reference Banks*

The Programme Issuer will procure that there shall at all times be an Agent Bank (and a Calculation Agent, if applicable) and four Reference Banks selected by the Programme Issuer, with offices in the Relevant Financial Centre if provision is made for them in these Conditions applicable to this Bond and for so long as it is Outstanding. If any Reference Bank (acting through its Programme office) is unable or unwilling to continue to act as a Reference Bank, then the Programme Issuer will select another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Agent Bank (or the Calculation Agent, if applicable) is unable or unwilling to act as such or if the Agent Bank (or the Calculation Agent, if applicable) fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the Programme Issuer will appoint (with the prior written consent of the Bond Trustee) a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(k) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 6 (*Interest and Other Calculations*) whether by the Principal Paying Agent, the Agent Bank (or the Calculation Agent, if applicable) or, if applicable, any calculation agent, shall (in the absence of wilful default, negligence, bad faith or manifest error) be binding on the Programme Issuer, AWL, AWHL, the Existing Issuer, the Agent Bank, the Bond Trustee, the Principal Paying Agent, the other Agents and all Bondholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Programme Issuer, the Existing Issuer, AWL and AWHL, the Bond Trustee, the Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Agent Bank or, if applicable, any calculation agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(l) *Definitions*

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

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

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(b) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(c) (if the Independent Adviser determines that no such spread is customarily applied) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 6(b)(iii)(B) (*Successor Rate or Alternative Rate*) is customarily applied in international debt capital markets transactions for the purposes of determining floating rates of interest (or the relevant component part thereof) for a commensurate period and in the same Relevant Currency as the Bonds;

"**Benchmark Event**" means:

(a) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

(b) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);

(c) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued;

(d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Bonds;

(e) the administrator of that Original Reference Rate or its supervisor publicly announces that such administrator is insolvent; or

(f) it has become unlawful for any Paying Agent, the Agent Bank, the Calculation Agent, the Programme Issuer or other party to calculate any payments due to be made to any Bondholder using the Original Reference Rate,

provided that in the case of sub-paragraphs (b), (c), (d) and (e) above, the Benchmark Event shall 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;

"**Broken Amount**" means the amount specified as such in the relevant Final Terms;

"**Business Day**" means:

(i) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor or replacement for that system ("**T2**") and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified in the relevant Final Terms; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the Relevant Currency (which in the case of a payment in U.S. Dollars shall be New York) and in each (if any) additional city or cities specified in the relevant Final Terms;

"**Calculation Amount**" has the meaning specified in the relevant Final Terms;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Bond for any period of time (whether or not constituting an Interest Period, the "**Calculation Period**"):

(i) if "**Actual/Actual (ICMA)**" is specified:

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

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

(a) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period; and (2) the number of Determination Periods normally ending in any year; and

(b) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period; and (2) the number of Determination Periods normally ending in any year,

where:

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

"**Determination Date**" means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

(ii) if "**Actual/Actual (ISDA)**" is specified, 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 (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is specified, the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is specified, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" is specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows;

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

where:

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

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

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

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

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

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

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

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

where:

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

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

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

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

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

"**euro**" means the lawful currency of the Participating Member States;

"**EURIBOR**" means the interest rate benchmark known as the Euro zone interbank offered rate for Euro deposits for such period as specified in the relevant Final Terms and for each Interest Period thereafter, for Euro deposits for the relevant Interest Period as determined by reference to (1) on the display Page designated EURIBOR01 on the Dow Jones Reuters Service (or such other Page as may replace that page on that service) as of the Interest Determination Date at the Relevant Time or (2) if that service ceases to display such information, such Page as displays such information on such service (or, if more than one, that one previously approved in writing by the Programme Issuer) as may replace the Dow Jones Reuters Monitor as of the Interest Determination Date and the Relevant Time;

"**Fixed Coupon Amount**" means the amount specified as such in the relevant Final Terms;

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

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case and appointed by the Programme Issuer at its own cost under Condition 6(b)(iii)(A) (*Independent Adviser*).

"**Indexation Adviser**" an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case selected and appointed by the Programme Issuer at its own cost in order to provide assistance in respect of indexation.

"**Interest Amount**" means:

(i) in respect of a Fixed Interest Period, the amount of interest payable per Calculation Amount for that Fixed Interest Period and which, in the case of Fixed Rate Bonds, and unless otherwise specified, shall mean the Fixed Coupon Amount or Broken Amount specified as being payable on the Interest Payment Date at the end of the Interest Period of which such Fixed Interest Period forms part;

(ii) in respect of an Interest Period, the amount of interest payable per Calculation Amount for that Interest Period; and

(iii) 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 an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, the day falling two Business Days in London prior to the first day of such Interest Period (or if the Relevant Currency is sterling the first day of such Interest Period) (as adjusted in accordance with any Business Day Convention (as defined herein) specified in the relevant Final Terms) or, in the case of Indexed Bonds, the first Business Day on which it is practicable to calculate the Index Ratio applicable to the relevant Calculation Date in accordance with Condition 7(a) (*Definitions (RPI)*);

"**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;

"**Interest Rate**" means the rate of interest payable from time to time in respect of the Bonds and which is either specified as such in, or calculated in accordance with the provisions of, these Conditions and/or the relevant Final Terms;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Bonds of the relevant Sub-Class (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" means the date specified as such in the relevant Final Terms;

"**Margin**" means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms;

"**Maturity Date**" means the date specified in the relevant Final Terms as the final date on which the principal amount of the Bond is due and payable;

"**Maximum Interest Rate**" means the rate specified as such in the relevant Final Terms;

"**Minimum Interest Rate**" means the rate specified as such in the relevant Final Terms;

"**Original Reference Rate**" means the originally specified benchmark or screen rate (as applicable) used to determine the Interest Rate (or any component part thereof) on the Bonds;

"**Page**" means such page, section, caption, column or other part of a particular information service (including the Reuters Money 3000 Service ("**Reuters**")) as specified in the relevant Final Terms as a Relevant Screen Page, and, if such page is unavailable, or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices;

"**Participating Member State**" means a member state of the European Community that adopts or has adopted the euro as its lawful currency under the legislation of the European Union for European Monetary Union;

"**Principal Amount Outstanding**" means, in relation to any Bond, Class and/or Sub-Class of any Bond, the original face value thereof (as adjusted in accordance with the applicable terms and conditions, including in respect of any index-linked or disenfranchisement provisions contained therein) less any repayment of principal made to the holder(s) thereof in respect of such Bond, Class and/or Sub-Class of any Bond;

"**Qualifying Secured Creditor**" means a Qualifying Class A Creditor or following the repayment in full of the Qualifying Class A Debt, a Qualifying Class B Creditor and "**Qualifying Secured**

Creditors" means the Qualifying Class A Creditors or following the repayment in full of the Qualifying Class A Debt, the Qualifying Class B Creditors.

"**Redemption Amount**" means the amount provided under Condition 8(d) (*Optional Redemption*), unless otherwise specified in the relevant Final Terms;

"**Reference Banks**" means the institutions specified as such or, if none, four major banks selected by the Programme Issuer in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the Programme Issuer, in its sole and absolute discretion;

"**Relevant Currency**" means the currency specified as such or, if none is specified, the currency in which the Bonds are denominated;

"**Relevant Date**" means the earlier of (a) the date on which all amounts in respect of the Bonds have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Bonds in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*)) has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Bondholders in accordance with Condition 17 (*Notices*);

"**Relevant Financial Centre**" means, with respect to any Bond, the financial centre specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable);

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

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

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

"**Relevant Rate**" means the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the relevant Final Terms);

"**Relevant Screen Page**" means EURIBOR or SONIA, as applicable;

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

"**Representative Amount**" means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Final Terms as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

"**Specified Denomination**" means the denomination specified in the relevant Final Terms;

"**Specified Duration**" means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period;

"**Specified Interest Payment Date**" means the date(s) specified as such in the relevant Final Terms;

"**Specified Period**" means the period(s) specified as such in the relevant Final Terms;

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

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro; and

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer system which utilises a single shared platform and which was launched on 19 November 2007.

7. **Indexation**

This Condition 7 is applicable only if the relevant Final Terms specifies the Bonds as Indexed Bonds. Where RPI is specified in the applicable Final Terms, Conditions 7(a) (*Definitions*) to 7(d) (*Application of Changes (RPI)*) will apply. Where HICP is specified in the applicable Final Terms, Conditions 7(f) (*Definitions HICP*) to 7(i) (*Definitions (CPI and CPIH)*) will apply. Where CPI or CPIH is specified in the applicable Final Terms, Conditions 7(j) (*Application of the Index Ratio (CPI and CPIH)*) to 7(m) (*Cessation of or Fundamental Changes to the Index (CPI and CPIH)*) will apply.

(a) *Definitions (RPI)*

"**Affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose, "**control**" means control as defined in the Companies Act;

"**Base Index Figure**" means (subject to Condition 7(c)(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms;

"**Calculation Date**" means any date when a payment of interest or, as the case may be, principal falls due;

"**Index**" or "**Index Figure**" means, in relation to any relevant month (as defined in Condition 7(c)(ii) (*Delay in publication of Index*)), subject as provided in Condition 7(c)(i) (*Change in base*), if RPI is specified in the relevant Final Terms, the UK Retail Price Index (RPI) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt.

Any reference to the "**Index Figure applicable**" to a particular Indexation Calculation Date shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index (RPI)*) and Condition 7(e) (*Cessation of or Fundamental Changes to the Index (RPI)*) below, and if "3 months lag" is specified in the relevant Final Terms, be calculated in accordance with the following formula:

$$\text{IFA} = \text{RPI}_{\text{m}-3} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (\text{RPI}_{\text{m}-2} - \text{RPI}_{\text{m}-3})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

"**IFA**" means the Index Figure applicable;

"**Indexation Calculation Date**" means any Interest Payment Date, the Maturity Date or any other date on which principal falls due;

"**RPI_{m-3}**" means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due;

"**RPI_{m-2}**" means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

Any reference to the "**Index Figure applicable**" to a particular Calculation Date shall, subject as provided in Condition 7(c) (*Changes in Circumstances Affecting the Index (RPI)*) and Condition 7(e) (*Cessation of or Fundamental Changes to the Index (RPI)*), and if "8 months lag" is specified in the relevant Final Terms, be calculated in accordance with the following formula:

$$\text{IFA} = \text{RPI}_{\text{m}-8} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (\text{RPI}_{\text{m}-7} - \text{RPI}_{\text{m}-8})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

"**IFA**" means the Index Figure applicable;

"**RPI_{m-8}**" means the Index Figure for the first day of the month that is eight months prior to the month in which the payment falls due;

"**RPI_{m-7}**" means the Index Figure for the first day of the month that is seven months prior to the month in which the payment falls due;

"**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;

"**Limited Index Ratio**" means: (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month 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 Factor**" means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month 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 Indexed Bonds**" means Indexed Bonds to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies;

"**Maximum Indexation Factor**" means the indexation factor specified as such in the relevant Final Terms;

"**Minimum Indexation Factor**" means the indexation factor specified as such in the relevant Final Terms; and

"**Reference Gilt**" means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter (or if not specified in the relevant Final Terms) 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 and indexation terms most closely matches that of the Bonds as a gilt-edged market maker or the Indexation Adviser shall determine to be appropriate, provided that if no such index-linked sterling obligation exists which has the same indexation terms, the Indexation Adviser shall consider obligations with the most economically similar indexation terms.

(b) *Application of the Index Ratio (RPI)*

Each payment of interest and principal in respect of the Bonds 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 Indexed Bonds applicable to the month in which such payment falls to be made and rounded in accordance with Condition 6(e) (*Rounding*).

(c) *Changes in Circumstances Affecting the Index (RPI)*

(i) **Change in base**

If at any time and from time to time the Index is changed by the substitution of a new base therefore, then with effect from the calendar month from and including that in which such substitution takes effect (1) the definition of "**Index**" and "**Index Figure**" in Condition 7(a) (*Definitions (RPI)*) shall be deemed to refer to the new date, month or year in substitution for January 1987 or January 2015, as applicable (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 immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) **Delay in publication of Index**

If the Index Figure relating to any month (the "**relevant month**") which is required to be taken account for the purposes of the determination of the Index Figure applicable for any date is not published on or before the fourteenth Business Days before the date on which any payment of interest or principal on the Bonds is due (the "**date for payment**"), the Index Figure relating to the relevant month shall be (1) such substitute index figure (if any) as the Programme Issuer considers to have been published by the Bank of England 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; 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 7(c)(i) (*Change in base*)) before the date for payment.

(d) *Application of Changes (RPI)*

Where the provisions of Condition 7(c)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7(c)(ii)(2) (*Delay in publication of Index*), the Index Figure relating to the relevant month is subsequently published while a Bond is still Outstanding, then:

(i) in relation to a payment of principal or interest in respect of such Bond other than upon final redemption of such Bond, 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 (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the substitute Index Figure applicable by virtue of Condition 7(c)(ii) (*Delay in publication of Index*), 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.

(e) *Cessation of or Fundamental Changes to the Index (RPI)*

(i) If:

(A) the Bond Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published; or

(B) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which could, in the opinion of (x) the Programme Issuer be materially prejudicial to the interests of the Programme Issuer; or (y) the Indexation Adviser, be materially prejudicial to the interests of the Bondholders,

the Indexation Adviser will give written notice of such occurrence to the Programme Issuer and the Bond Trustee in the case of (A) and (B)(y) above, and the Programme Issuer will give written notice of such occurrence to the Indexation Adviser and the Bond Trustee (in the event of (B)(x) above), and the Programme Issuer and the Indexation Adviser together shall seek to agree for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Programme Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

(ii) If the Programme Issuer and the Indexation Adviser fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned in paragraph (i), a bank or other person in London shall be appointed by the Programme Issuer and the Indexation Adviser or, failing agreement on and the making of such appointment within 20 Business Days following the expiry of the day period referred to above, by 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 Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Programme Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made ("**RPI Amendments**"), and the Programme Issuer shall promptly notify the Bond Trustee, the Calculation Agent and the Agents, and the Bondholders in accordance with Condition 17 (*Notices*) of any such RPI Amendments. 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 the Programme Issuer in connection with such appointment shall be borne by the Programme Issuer.

(iii) At the request of the Programme Issuer, each of the Bond Trustee, the Calculation Agent and the Agents shall (at the expense and request of the Programme Issuer), without any requirement for the consent or approval of the Bondholders, be obliged to concur with the Programme Issuer in using its reasonable endeavours to effect any RPI Amendments (including, inter alia, by the execution of a deed or agreement supplemental to or amending the Bond Trust Deed or the Agency Agreement, as applicable), and for the avoidance of doubt, the Bond Trustee, the Calculation Agent and the Agents shall not be liable to any party for any consequences thereof, provided that the Programme Issuer has delivered to the Bond Trustee, the Calculation Agent and the Agents a certificate signed by two Directors/Authorised Signatories of the Programme Issuer certifying that such RPI Amendments have been determined in accordance with this Condition 7(e). Any such RPI Amendments shall be binding on the Bondholders.

(iv) Notwithstanding the above, none of the Bond Trustee, the Agents and the Calculation Agent shall be obliged so to concur if in the opinion of the Bond Trustee, the Agents or the Calculation Agent (as applicable) doing so would (x) impose more onerous obligations upon it or expose it to any additional duties or, responsibilities, or any liabilities (in the case of the Bond Trustee, against which it has not been indemnified and/or secured and/or prefunded to its satisfaction), or (y) reduce or amend the protective provisions afforded to it in these Conditions, the Agency Agreement or the Bond Trust Deed and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

Where HICP (as defined in Condition 7(f) (*Definitions HICP*)) is specified in the applicable Final Terms, the following Conditions 7(f) (*Definitions HICP*) to 7(h) (*Changes in Circumstances Affecting the Index (HICP)*) will apply:

(f) *Definitions (HICP)*

"**Base Index Figure**" means the base index figure as specified in the applicable Final Terms;

"**Index**" or "**Index Level**" means (subject as provided in Condition 7(g) (*Application of the Index Ratio (HICP)*)) the Non-revised Index of Consumer Prices excluding tobacco or relevant Successor Index (as defined in Condition 7(h)(ii)) (*Cessation of publication)*, 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 7(h)(i) (*Delay in publication of Index*)) 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 7(h) (*Changes in Circumstances Affecting the Index (HICP)*), be calculated as follows:

$$I_d = HICP_{m-t}\left(\frac{nbd}{q_m}\right) x \left(HICP_{m-(t-1)} - HICP_{m-t}\right)$$

where:

"$\mathbf{I_d}$" is the Index Level for the day d;

"$\mathbf{HICP_{m-t}}$" is the level of HICP for month m-t where t has a value of 1 to 24 as specified in the applicable Final Terms;

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

"$\mathbf{q_m}$" is the actual number of days in month m,

provided that if Condition 7(h) (*Changes in Circumstances Affecting the Index (HICP)*) applies, the Index Level shall be the Substitute Index Level determined in accordance with such Condition;

"**Index Business Day**" means a day on which T2 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 Figure and rounded to the nearest fifth decimal place, 0.000005 being rounded upwards;

"**Related Bond**" means an inflation-linked bond selected by the Indexation Adviser 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 Indexation Adviser. The Indexation Adviser will select the Related Bond 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 Bond shall be selected by the Indexation Adviser from such of those bonds. If the Related Bond is redeemed the Indexation Adviser will select a new Related Bond on the same basis, but selected from all eligible bonds in issue at the time the originally selected Related Bond is redeemed (including any bond for which the redeemed originally selected Related Bond is exchanged).

(g) *Application of the Index Ratio (HICP)*

Each payment of interest and principal in respect of the Bonds 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.

(h) *Changes in Circumstances Affecting the Index (HICP)*

(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 Indexation Adviser shall determine a Substitute Index Level (as defined below) (in place of such Relevant Level) by using the following methodology:

(1) if applicable, the Indexation Adviser 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 Bond;

(2) if (1) above does not result in a Substitute Index Level for the Affected Payment Date for any reason, then the Indexation Adviser shall determine the Substitute Index Level as follows:

Substitute Index Level = Base Level x (Latest Level / 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 7(h)(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 Indexation Adviser 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 Indexation Adviser pursuant to paragraph (E) below) a successor index has been designated by the Indexation Adviser (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 Bond, 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 Indexation Adviser 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 Indexation Adviser 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 or two or more leading independent dealers do not state the same index, the Indexation Adviser 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 Indexation Adviser will determine an appropriate alternative index for such Affected Payment Date, and such index will be the "Successor Index";

(E) if the Indexation Adviser determines that there is no appropriate alternative index, the Programme Issuer shall, in conjunction with the Indexation Adviser, determine an appropriate alternative index. If the Programme Issuer, in conjunction with the Indexation Adviser, do not reach agreement on an appropriate alternative index within a period of ten Business Days, then an "Early Termination Event" will have occurred and the Programme Issuer will redeem the Bonds pursuant to Condition 8(e) (*Redemption for Index Events*).

(iii) *Rebasing of the Index*: If the Indexation Adviser 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 Indexation Adviser 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 Bond 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 Indexation Adviser shall make any such adjustments to the Index consistent with adjustments made to the Related Bond.

(v) *Manifest Error in Publication*: If, within thirty days of publication, the Indexation Adviser 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 Indexation Adviser will notify (i) the Programme Issuer, the Bond Trustee and the relevant Bondholders of (A) that correction, and (B) the amount that is payable as a result of that correction and (ii) take such other action as it may deem necessary to give effect to such correction.

Where CPI or CPIH is specified in the applicable Final Terms, the following Conditions 7(i) (*Definitions (CPI and CPIH)*) to 7(m) (*Cessation of or Fundamental Changes to the Index (CPI and CPIH)*) will apply:

(i) *Definitions (CPI and CPIH)*

"**Base Index Figure**" means (subject to Condition 7(k) (*Change in circumstance affecting the Index (CPI and CPIH)*) the base index figure as specified in the relevant Final Terms;

"**Index**" or "**Index Figure**" means (subject to Condition 7(k) (*Change in circumstance affecting the Index (CPI and CPIH)*) (i) if UK Consumer Price Index is specified in the applicable Final Terms, the Consumer Price Index ("**CPI**") (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Matched Index Reference Gilt (if any) or (ii) if UK Consumer Price Index including owner occupiers' housing costs is specified in the applicable Final Terms, the CPI including owner occupiers' housing costs ("**CPIH**") (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Matched Index Reference Gilt (if any).

Where CPI is specified as the Index or Index Figure in the applicable Final Terms, any reference to the Index Figure applicable to any day ("**d**") in any month ("**m**") shall (subject to Condition 7(k) (*Change in circumstance affecting the Index (CPI and CPIH)*) be calculated in accordance with the following formula:

$$IFA = CPI_{m-t} + \frac{nbd}{q_m} x \left(CPI_{m-(t-1)} - CPI_{m-t} \right)$$

Where:

"**IFA**" means the Index Figure applicable;

"**CPI_{m-t}**" means the Index Figure for the first day of the month that is "t" months prior to the month in which an Interest Payment Date occurs where "t" has a value of 1 to 24 as specified in the applicable Final Terms;

"**nbd**" means the actual number of days from and excluding the first day of month m to but including day d and, for the avoidance of doubt, where d is the first day of month m, nbd shall be equal to zero;

"**q_m**" means the actual number of days in month m;

Where CPIH is specified as the Index or Index Figure in the applicable Final Terms, any reference to the Index Figure applicable to any day ("**d**") in any month ("**m**") shall (subject to Condition 7(k) (*Change in circumstance affecting the Index (CPI and CPIH)*) be calculated in accordance with the following formula:

$$IFA = CPIH_{m-t} + \frac{nbd}{q_m} x \left(CPIH_{m-(t-1)} - CPIH_{m-t} \right)$$

Where:

"**$CPIH_{m-t}$**" means the Index Figure for the first day of the month that is "t" months prior to the month in which an Interest Payment Date occurs where "t" has a value of 1 to 24 as specified in the applicable Final Terms;

"**nbd**" means the actual number of days from and excluding the first day of month m to but including day d and, for the avoidance of doubt, where d is the first day of month m, nbd shall be equal to zero;

"**q_m**" means the actual number of days in month m;

"**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 prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month 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 Factor**" means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month 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 Indexed Bonds**" means Indexed Bonds to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies;

"**Matched Index Reference Gilt**" means a Reference Gilt which is linked to either (i) CPI if UK Consumer Price Index is specified in the applicable Final Terms or (ii) CPIH if UK Consumer Price Index including owner occupiers' housing costs is specified in the applicable Final Terms; and

"**Reference Gilt**" means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter (or if not specified in the relevant Final Terms) 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 and indexation terms most closely matches that of the Bonds as a gilt-edged market maker or the Indexation Adviser shall determine to be appropriate, provided that if no such index-linked sterling obligation exists which has the same indexation terms, the Indexation Adviser shall consider obligations with the most economically similar indexation terms.

(j) *Application of the Index Ratio (CPI and CPIH)*

Each payment of interest and principal in respect of the Bonds 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 Indexed Bonds 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 6(e) (*Rounding*).

(k) *Changes in Circumstances Affecting the Index (CPI and CPIH)*

(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 calendar month from and including that in which such substitution takes effect or, as the case may be, from the first date from and including that on which such substitution takes effect (1) the definition of "**Index**" and "**Index Figure**" in Condition 7(i) (*Definitions (CPI and CPIH)*) shall be deemed to refer to the new date, month or year as applicable in substitution for 2015 (or, as the case may be, to such other date, month or year as applicable 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 Index

If the Index Figure relating to any month (the "**relevant month**") which is required to be taken into account for the purposes of determining the Index Figure for any date has not been 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 Programme Issuer considers to have been published by the Bank of England for the purposes of indexation of payments on the relevant Matched Index Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to this Condition 7(k)(ii)) before the date for payment.

(l) *Application of Changes (CPI and CPIH)*

Where the provisions of Condition 7(k)(ii)(1) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the relevant calculation month shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7(k)(ii) (*Delay in publication of Index*), the Index Figure relating to the relevant month is subsequently published while a Bond is still outstanding, then:

(i) in relation to a payment of principal or interest in respect of such Bond other than upon final redemption of such Bond, 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 (respectively) shortfall or excess of the amount of the relevant payment made on the basis of the substitute Index Figure applicable by virtue of Condition 7(k)(ii) (*Delay in publication of Index*) 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.

(m) *Cessation of or Fundamental Changes to the Index (CPI and CPIH)*

(i) If: (1) the Programme Issuer and the Bond Trustee have been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published; or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Indexation Adviser, be materially prejudicial to the interests of the Bondholders, the Indexation Adviser will give written notice of such occurrence to the Programme Issuer and the Bond Trustee, and the Programme Issuer and the Indexation Adviser together shall seek to agree for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Programme Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

(ii) If the Programme Issuer and the Indexation Adviser fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned in paragraph (i) above, a bank or other person in London shall be appointed by the Programme Issuer and the Indexation Adviser or, failing agreement on and the making of such appointment within 20 Business Days following the expiry of the 20 Business Day period referred to above, by 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 Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Programme Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made ("**CPI/CPIH Amendments**"), and the Programme Issuer shall promptly notify the Bond Trustee, the Calculation Agent and the Agents, and the Bondholders in accordance with Condition 17 (*Notices*) of any such CPI/CPIH Amendments. 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 Programme Issuer in connection with such appointment shall be borne by the Programme Issuer.

(iii) At the request of the Programme Issuer, each of the Bond Trustee, the Calculation Agent and the Agents shall (at the expense and direction request of the Programme Issuer), without any requirement for the consent or approval of the Bondholders, be obliged to concur with the Programme Issuer in using its reasonable endeavours to effect any CPI/CPIH Amendments (including, inter alia, by the execution of a deed or agreement supplemental to or amending the Bond Trust Deed or the Agency Agreement, as applicable), and for the avoidance of doubt, the Bond Trustee, the Calculation Agent and the Agents shall not be liable to any party for any consequences thereof, provided that the Programme Issuer has delivered to the Bond Trustee, the Calculation Agent and the Agents a certificate signed by two Directors/Authorised Signatories of the Programme Issuer certifying that such CPI/CPIH Amendments have been determined in accordance with this Condition 7(m). Any such CPI/CPIH Amendments shall be binding on the Bondholders.

Notwithstanding the above, none of the Bond Trustee, the Agents and the Calculation Agent shall be obliged so to concur if in the opinion of the Bond Trustee, the Agents or the Calculation Agent (as applicable) doing so would (x) impose more onerous obligations upon it or expose it to any additional duties or, responsibilities, or any liabilities (in the case of the Bond Trustee, against which it has not been indemnified and/or secured and/or prefunded to its satisfaction, or (y) reduce or amend the protective provisions afforded to it in these Conditions, the Agency Agreement or the Bond Trust Deed and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way).

8. **Redemption, Purchase and Cancellation**

(a) *Partial and Final Redemption*

Unless previously redeemed, or purchased and cancelled as provided below, or unless such Bond is stated in the relevant Final Terms as having no fixed Maturity Date, each Bond will be redeemed at its Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*), Condition 7(g) (*Application of the Index Ratio (HICP)*) or Condition 7(j) (*Application of the Index Ratio (CPI and CPIH)*), as applicable), on the date or dates (or, in the case of Floating Rate Bonds, on the Interest Payment Date(s)) specified in the relevant Final Terms plus accrued but unpaid interest (other than in the case of Zero Coupon Bonds) and, in the case of Indexed Bonds as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*), Condition 7(g) (*Application of the Index Ratio (HICP)*) or Condition 7(j) (*Application of the Index Ratio (CPI and CPIH)*), as applicable.

In the case of principal on Class B Bonds only, if on any date, prior to the taking of Enforcement Action, on which such Bond is to be redeemed (in whole or in part) there are insufficient funds available to the Programme Issuer to pay such principal, the Programme Issuer's liability to pay such principal will be treated as not having fallen due and will be deferred until the earliest of (i) the next following Interest Payment Date on which the Programme Issuer has, in accordance with the cash management provisions of Schedule 10 (*Cash Management*) of the CTA, sufficient funds to pay such deferred amounts (including any interest accrued thereon); (ii) the date on which all Class A Debt has been paid in full and (iii) an Acceleration of Liabilities (other than a Permitted Hedging Termination, or a Permitted Lease Termination) and in the case of a Permitted Share Pledge Acceleration only to the extent that there would be sufficient funds available in accordance with the Payment Priorities to pay such deferred principal (including any accrued interest thereon). Interest will accrue on such deferred principal at the rate otherwise payable on unpaid principal of such Class B Bonds.

(b) *Programme Issuer Maturity Call*

If "Programme Issuer Maturity Call" is specified as being applicable in the applicable Final Terms, the Programme Issuer may (having provided the applicable Programme Issuer Maturity Call Notice and specifying the applicable Programme Issuer Maturity Call Redemption Date) redeem or

purchase, in whole or in part, the Bonds then outstanding at any time during the period commencing on (and including) the day that falls 90 days prior to the Maturity Date to (but excluding) the Maturity Date (the "**Programme Issuer Maturity Call Period**"), at the Final Redemption Amount specified in the applicable Final Terms, together (if appropriate) with any accrued but unpaid interest to (but excluding) the date fixed for redemption (the "**Programme Issuer Maturity Call**").

In the case of a partial redemption the notice to Bondholders shall also contain the certificate numbers of the Bearer Bonds, or in the case of Registered Bonds shall specify the nominal amount of Registered Bonds drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

For the purposes of the above paragraph:

"**Programme Issuer Maturity Call Redemption Date**" is the date specified as such in the Programme Issuer Maturity Call Notice.

"**Programme Issuer Maturity Call Notice**" means, in respect of an Programme Issuer Maturity Call, if the Programme Issuer has given:

(A) not less than the minimum period nor more than the maximum period of notice specified as the "Programme Issuer Maturity Call Notice Period" in the applicable Final Terms to the Bondholders in accordance with Condition 17 (*Notices*); and

(B) not less than 15 days before the giving of the notice referred to in (A) above, notice to the Bond Trustee, the Security Trustee, the Principal Paying Agent and, in the case of a redemption of Registered Bonds, the Registrar, and any such notice shall be irrevocable and shall specify the date fixed for redemption.

(c) *Clean-up Call*

If "Clean-up Call" is specified as being applicable in the applicable Final Terms, the Programme Issuer may, if 75 per cent. (or any higher percentage specified in the applicable Final Terms) (the "**Clean-up Call Percentage**") in nominal amount of the Bonds issued (which for the avoidance of doubt includes any additional Bond issued subsequently and forming a single series with the first Tranche of a particular Series of Bonds) have been redeemed or purchased pursuant to the operation of (unless otherwise specified in the applicable Final Terms) any of this Condition 8(c) and/or Condition 8(e) (*Redemption for Index Events*) and/or Condition 8(i) (*Purchase of Bonds*) and/or Condition 8(g) (*Redemption on Prepayment of Programme Issuer/AWL Loan Agreements*) and/or Condition 8(h) (*Early Redemption of Zero Coupon Bonds*), on giving not less than 15 nor more than 30 days' irrevocable notice to the Bond Trustee, the Security Trustee, the Principal Paying Agent (and, in the case of Registered Bonds, the Registrar) and the Bondholders (or such other notice period as may be specified in the applicable Final Terms) (such notice being given within 30 days after the relevant redemption or purchase, as the case may be), redeem or purchase (or procure the purchase of) all but not some only of the remaining outstanding Bonds at their Early Redemption Amount together with interest accrued to (but excluding) the date fixed for such redemption or repurchase.

(d) *Optional Redemption*

Subject as provided below, if "Call Option" is specified as applicable in the relevant Final Terms, upon giving not more than 30 nor less than 15 days' notice (or such other notice period as may be specified in the applicable Final Terms) to the Bond Trustee, the Security Trustee, the Majority Creditors, the Principal Paying Agent (and, in the case of Registered Bonds, the Registrar) and the Bondholders, the Programme Issuer may (prior to the Maturity Date) redeem any Sub-Class of the Bonds in whole or in part (but on a pro rata basis only) on any Optional Redemption Date (as specified in the applicable Final Terms) at their Redemption Amount, provided that (i) Floating Rate Bonds may not be redeemed before the date specified in the relevant Final Terms; and (ii) if the term "Programme Issuer Maturity Call" is also specified to be applicable in applicable Final Terms, such redemption date falls prior to the start of the Programme Issuer Maturity Call Period, as follows:

(i) In respect of Fixed Rate Bonds, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be an amount equal to the higher of:

(A) their Principal Amount Outstanding; and

(B) the price determined to be appropriate by a financial adviser (selected by the Programme Issuer) (the "**Financial Adviser**") as being the price at which the Gross Redemption Yield (as defined below) on such Bonds on the Reference Date (as defined below) is equal to the Gross Redemption Yield at the Quotation Time on the Reference Date on the Reference Gilt (as defined below) (or, where the Financial Adviser advises the Programme Issuer (copied to the Bond Trustee) that, for reasons of illiquidity or otherwise, such Reference Gilt is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend) plus the Redemption Margin in each case, together with accrued but unpaid interest on the Principal Amount Outstanding.

For the purposes of this Condition 8(d)(i):

"**Gross Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" page 4, Section One, Price/Yield Formulae: "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998) (as amended or supplemented from time to time), provided that, for the purpose of calculating the Gross Redemption Yield on Indexed Bonds in respect of which HICP, CPI or CPIH is specified as the applicable Index, any references to RPI (or the UK Retail Price Index) therein shall be read and construed as references to HICP, CPI or CPIH (as applicable) if HICP, CPI or CPIH is not covered by such publication;

"**Quotation Time**" means the time specified in the relevant Final Terms;

"**Redemption Margin**" means the margin specified in the relevant Final Terms, if any;

"**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(d)(i); and

"**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms for so long as such stock is in issue, and thereafter (or if not specified in the relevant Final Terms) 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 and indexation terms most closely matches that of the Bonds as a gilt-edged market maker or the Indexation Adviser shall determine to be appropriate, provided that if no such index-linked sterling obligation exists which has the same indexation terms, the Indexation Adviser shall consider obligations with the most economically similar indexation terms.

(ii) In respect of Floating Rate Bonds, the Redemption Amount will, unless otherwise specified in the relevant Final Terms, be the Principal Amount Outstanding plus any premium for early redemption in certain years (as specified in the relevant Final Terms) plus any accrued but unpaid interest on the Principal Amount Outstanding.

(iii) In respect of Indexed Bonds, the Redemption Amount will (unless otherwise specified in the relevant Final Terms) be the higher of:

(A) the Principal Amount Outstanding; and

(B) the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by a financial adviser in London (selected by the Programme Issuer) (the "**Financial Adviser**") as being the price at which the Gross Real Redemption Yield (as defined below) on the Bonds on the Reference Date (as defined below) is equal to the Gross Real Redemption

Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt (or, where the Financial Adviser advises the Programme Issuer (copied to the Bond Trustee) that, for reasons of illiquidity or otherwise, such Reference Gilt is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend, provided that if no government stock exists which has the same indexation terms, the Financial Adviser shall consider obligations with the most economically similar indexation terms) plus the Redemption Margin,

in each case, together with accrued but unpaid interest (as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*), Condition 7(g) (*Application of the Index Ratio (HICP)*) or Condition 7(j) (*Application of the Index Ratio (CPI and CPIH)*), as applicable) on the Principal Amount Outstanding.

For the purposes of this Condition 8(d)(iii):

"**Gross Real Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" page 4, Section One, Price/Yield Formulae: "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998) (as amended or supplemented from time to time), provided that, for the purpose of calculating the Gross Real Redemption Yield on Indexed Bonds in respect of which HICP, CPI or CPIH is specified as the applicable Index, any references to RPI (or the UK Retail Price Index) therein shall be read and construed as references to HICP, CPI or CPIH (as applicable) if HICP, CPI or CPIH is not covered by such publication;

"**Redemption Margin**" means the margin specified in the relevant Final Terms (if any);

"**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under Condition 8(d)(iii); and

"**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms for so long as such stock is in issue, and thereafter (or if not specified in the relevant Final Terms) 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 and indexation terms most closely matches that of the Bonds as a gilt-edged market maker or the Indexation Adviser shall determine to be appropriate, provided that if no such index-linked sterling obligation exists which has the same indexation terms, the Indexation Adviser shall consider obligations with the most economically similar indexation terms.

In any such case, prior to giving any such notice, the Programme Issuer must certify (as further specified in the Finance Documents) to the Bond Trustee that it will have the funds, not subject to any interest (other than under the Security) of any other person, required to redeem the Bonds as aforesaid.

(e) *Redemption for Index Events*: Upon the occurrence of any Index Event (as defined below), the Programme Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee, the Majority Creditors, the Principal Paying Agent (and, in the case of Registered Bonds, the Registrar) and the holders of the Indexed Bonds in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Indexed Bonds of all Sub-Classes referable to the Index the subject of the Index Event on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*), Condition 7(g) (*Application of the Index Ratio (HICP)*) or Condition 7(j) (*Application of the Index Ratio (CPI and CPIH)*), as applicable) plus accrued but unpaid interest. No single Sub-Class of Indexed Bonds may be redeemed in these circumstances unless all the other Classes and Sub-Classes of Indexed Bonds referable to the Index the subject of the Index Event are also redeemed at the same time. Before giving any such notice, the Programme Issuer shall provide to the Bond Trustee, the Security Trustee and the Secured Creditors a certificate signed by an Authorised Signatory: (i) stating that the Programme Issuer is entitled to effect such redemption

and setting forth a statement of facts showing that the conditions precedent to the right of the Programme Issuer so to redeem have occurred; and (ii) confirming that the Programme Issuer will have sufficient funds on such Interest Payment Date to effect such redemption.

"**Index Event**" means (i) if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 7(c)(ii) (*Delay in publication of Index*), Condition 7(h)(i) (*Delay in publication of Index*) or Condition 7(k)(ii) (*Delay in publication of Index*), as applicable, and the Bond Trustee has been notified by the Principal Paying Agent that publication of the Index has ceased; or (ii) notice is published by His Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Programme Issuer and such circumstances are continuing.

The Bond Trustee, the Security Trustee and the Secured Creditors shall be entitled to accept and rely on any certificate referred to in this Condition 8(e) as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Bondholders, the Receiptholders and the Couponholders.

(f) *Redemption for Taxation Reasons*

In addition, if at any time the Programme Issuer satisfies the Bond Trustee that the Programme Issuer would, on the next Interest Payment Date, become obliged to deduct or withhold from any payment of interest or principal in respect of the Bonds (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or, if the Programme Issuer is substituted for a company incorporated under or tax resident in another jurisdiction as permitted in accordance with these Conditions, such other jurisdiction or, in each case, any political subdivision thereof, or any other authority thereof, then the Programme Issuer may, in order to avoid the relevant deductions or withholding, use its reasonable endeavours to arrange the substitution of a company incorporated under another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds and as lender under the Programme Issuer/AWL Loan Agreements and as obligor under the Finance Documents upon satisfying the conditions for substitution of the Programme Issuer as set out in the STID (and referred to in Condition 15 (*Meetings of Bondholders, Modification, Waiver and Substitution*)). If the Programme Issuer is unable to arrange a substitution as described above having used reasonable endeavours to do so and, as a result, the relevant deduction or withholding is continuing then the Programme Issuer may (but will not be obliged to), upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee, the Secured Creditors and the Bondholders in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Bonds on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Bonds, in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*), Condition 7(g) (*Application of the Index Ratio (HICP)*) or Condition 7(j) (*Application of the Index Ratio (CPI and CPIH)*), as applicable). Before giving any such notice of redemption, the Programme Issuer shall provide to the Bond Trustee, the Security Trustee and the Secured Creditors a certificate signed by an Authorised Signatory (a) stating that the Programme Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Programme Issuer so to redeem have occurred; and (b) confirming that the Programme Issuer will have sufficient funds on such Interest Payment Date to discharge all its liabilities in respect of the Bonds and any amounts under the Security Agreement to be paid in priority to, or *pari passu* with, the Bonds under the Payment Priorities.

The Bond Trustee, the Security Trustee and the Secured Creditors shall be entitled to accept and rely on any certificate referred to in this Condition 8(f) as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Bondholders, the Receiptholders and the Couponholders.

(g) *Redemption on Prepayment of Programme Issuer/AWL Loan Agreements*

If AWL gives notice to the Programme Issuer under a Programme Issuer/AWL Loan Agreement that it intends to prepay all or part of any advance made under such Programme Issuer/AWL Loan Agreement and such advance was funded by the Programme Issuer from the proceeds of the issue of a Sub-Class of Bonds, the Programme Issuer shall, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee, the Secured Creditors and the Bondholders in accordance with Condition 17 (*Notices*), (where such advance is being prepaid in whole) redeem all of the Bonds of that Sub-Class or (where part only of such advance is being prepaid) the proportion of the relevant Sub-Class of Bonds which the proposed prepayment amount bears to the amount of the relevant advance. In the case of a voluntary prepayment, the relevant Bonds will be redeemed at their Redemption Amount determined in accordance with Condition 8(d) (*Optional Redemption*) except that, in the case of Fixed Rate Bonds and Indexed Bonds, for the purposes of this Condition 8(g), "**Reference Date**" means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 8(g), plus accrued but unpaid interest and, in the case of any other prepayment, the relevant Bonds will be redeemed at their Principal Amount Outstanding plus accrued but unpaid interest.

(h) *Early Redemption of Zero Coupon Bonds*

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Bond at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Bond becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(h) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, "**Accrual Yield**" and "**Reference Price**" and "**Zero Coupon Bond**" have the meanings given to them in the relevant Final Terms.

(i) *Purchase of Bonds*

The Programme Issuer may, provided that no Event of Default has occurred and is continuing, purchase Bonds (provided that all unmatured Receipts and Coupons and unexchanged Talons (if any) appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

If not all the Bonds which are in registered form are to be purchased, upon surrender of the existing Definitive Registered Bond, the Registrar shall forthwith upon the written request of the Bondholder concerned issue a new Definitive Registered Bond in respect of the Bonds which are not to be purchased and despatch such Definitive Registered Bond to the Bondholder (at the risk of the Bondholder and to such address as the Bondholder may specify in such request).

While the Bonds are represented by a Global Bond or Registered Global Bond (as defined below), the relevant Global Bond or Registered Global Bond will be endorsed to reflect the Principal Amount Outstanding of Bonds to be so redeemed or purchased.

(j) *Redemption by Instalments*

Unless previously redeemed, purchased and cancelled as provided in this Condition 8, each Bond which provides for Instalment Dates (as specified in the relevant Final Terms) and Instalment Amounts (as specified in the relevant Final Terms) will be partially redeemed on each Instalment Date at the Instalment Amount.

(k) *Cancellation*

In respect of all Bonds redeemed or purchased by or on behalf of the Programme Issuer, the Bearer Bonds or the Registered Bonds shall be surrendered to or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will, together with all Bonds redeemed by the Programme Issuer, be cancelled forthwith (together with, in the case of Bearer Bonds, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Programme Issuer in respect of any such Bonds shall be discharged.

(l) *Instalments*

Instalment Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Redemption Amount will be determined pursuant to Condition 8(d) (*Optional Redemption*).

9. **Payments**

(a) *Bearer Bonds*

Payments to the Bondholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Bonds will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and provided that the Receipt is presented for payment together with its relative Bond), Bonds (in the case of all other payments of principal and, in the case of interest, as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States of America by transfer to an account denominated in the currency in which such payment is due with, or (in the case of Bonds in definitive form only) a cheque payable in that currency drawn on, a bank in (i) the principal financial centre of that currency provided that such currency is not euro, or (ii) the principal financial centre of any Participating Member State if that currency is euro.

(b) *Registered Bonds*

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation and surrender of the relevant Registered Bond at the specified office of the Registrar and in the manner provided in Condition 9(a) (*Bearer Bonds*).

Payments of instalments in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation of the relevant Registered Bond at the specified office of the Registrar in the manner provided in Condition 9(a) (*Bearer Bonds*) and annotation of such payment on the Register and the relevant Global Bond Certificate.

Interest (or, as the case may be, Interest Amounts) on Registered Bonds payable on any Interest Payment Date will be paid to the holder (or the first named of joint holders) on record at the close of business on the Clearing System Business Day immediately prior to the date for payment thereof (the "**Record Date**"), where "Clearing System Business Day" means any day which the relevant clearing system is open for business, which for Euroclear and Clearstream, Luxembourg is Monday to Friday inclusive except 25 December and 1 January. Payment of interest or Interest Amounts on each Registered Bond will be made in the currency in which such payment is due by cheque drawn on a bank in: (i) the principal financial centre of the country of the currency concerned, provided that such currency is not euro; or (ii) the principal financial centre of any Participating Member State if that currency is euro and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the Bondholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in: (i) the

principal financial centre of the country of that currency provided that such currency is not euro; or (ii) the principal financial centre of any Participating Member State if that currency is euro.

A record of each payment so made will be endorsed on the schedule to the Global Bond or the Registered Global Bond by or on behalf of the Principal Paying Agent or the Registrar, as the case may be, which endorsement shall be *prima facie* evidence that such payment has been made.

(c) *Payments in the United States of America*

Notwithstanding the foregoing, if any Bearer Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if:

(i) the Programme Issuer shall have appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bonds in the manner provided above when due;

(ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and

(iii) such payment is then permitted by the law of the United States of America, without involving, in the opinion of the Programme Issuer, adverse tax consequences to the Programme Issuer.

(d) *Payments Subject to Fiscal Laws; Payments on Global Bonds and Registered Bonds*

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 10 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders, Couponholders or Receiptholders (if any) in respect of such payments.

The holder of a Global Bond or Registered Global Bond shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Bond or Registered Global Bond (as the case may be) and the Programme Issuer will be discharged by payment to, or to the order of, the holder of such Global Bond or Registered Global Bond in respect of each amount paid.

(e) *Appointment of the Agents*

The Paying Agents, the Agent Bank, the Transfer Agents and the Registrar (the "**Agents**") appointed by the Programme Issuer (and its respective specified offices) are listed in the Agency Agreement. Any Calculation Agent will be listed in the relevant Final Terms and will be appointed pursuant to a Calculation Agency Agreement. The Agents act solely as agents of the Programme Issuer (and, other than as in the circumstances to be set out in the Agency Agreement, the Bond Trustee) and do not assume any obligation or relationship of agency or trust for or with any holder. The Programme Issuer reserves the right, with the prior written consent of the Bond Trustee at any time to vary or terminate the appointment of any Agent, and to appoint additional or other Agents, provided that the Programme Issuer will at all times maintain (i) a Principal Paying Agent (in the case of Bearer Bonds); (ii) a Registrar (in the case of Registered Bonds); (iii) an Agent Bank or Calculation Agent (as specified in the relevant Final Terms) (in the case of Floating Rate Bonds or Indexed Bonds); and (iv) if and for so long as the Bonds are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place, a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its specified office in the place required by such listing authority, stock exchange and/or quotation system, which, while any Bonds are admitted to the Official List of the FCA and/or admitted to trading on the Market shall be in

London. Notice of any such variation, termination or appointment will be given in accordance with Condition 17 (*Notices*).

(f) *Unmatured Coupons and Receipts and Unexchanged Talons*

(i) Subject to the provisions of the relevant Final Terms, upon the due date for redemption of any Bond which is a Bearer Bond (other than a Fixed Rate Bond, unless it has all unmatured Coupons attached), unmatured Coupons and Receipts relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them.

(ii) Upon the date for redemption of any Bond, any unmatured Talon relating to such Bond (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iii) Upon the due date for redemption of any Bond which is redeemable in instalments, all Receipts relating to such Bond having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(iv) Where any Bond, which is a Bearer Bond and is a Fixed Rate Bond, is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, a sum equal to the aggregate amount of the missing unmatured Coupons will be deducted from the amount of principal due for payment and, redemption shall be made only against the provision of such indemnity as the Programme Issuer may require.

(v) If the due date for redemption of any Bond is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Bond and Coupon.

(g) *Non-Business Days*

Subject as provided in the relevant Final Terms, if any date for payment in respect of any Bond, Receipt 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 are open for presentation and payment of debt securities and for dealings in foreign currency in London and in the relevant place of presentation and in the cities referred to in the definition of Business Days and (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 dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency and, in relation to any sum payable in euro, a day on which T2 is open for the settlement of payments in euro.

(h) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Bond, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 13 (*Prescription*)).

10. **Taxation**

All payments in respect of the Bonds, Receipts or Coupons will be made (whether by the Programme Issuer, the Guarantors, any Paying Agent, the Registrar, the Bond Trustee or the Security Trustee) free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Programme Issuer, the Guarantors, any Paying Agent or the Registrar or, where applicable, the Bond Trustee or the Security Trustee is required by applicable law to make any payment in respect of the Bonds,

Receipts or Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Programme Issuer, the Guarantors, such Paying Agent, the Registrar, the Bond Trustee or the Security Trustee, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Programme Issuer, the Guarantors, any Paying Agent, the Registrar, the Bond Trustee or the Security Trustee will be obliged to make any additional payments to the Bondholders, Receiptholders or the Couponholders in respect of such withholding or deduction. The Programme Issuer, the Guarantors, any Paying Agent, the Registrar, the Bond Trustee or the Security Trustee may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

For the avoidance of doubt, any withholding or deduction 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**") shall be treated as a withholding or deduction required by applicable law.

11. **Events of Default**

The Events of Default (as defined in the Master Definitions Agreement) relating to the Bonds will be set out in Schedule 6 (*Events of Default*) to the CTA.

(a) *Events of Default*

If any Event of Default occurs and is continuing, subject always to the terms of the STID, the Bond Trustee may at any time (in accordance with the provisions of the Bond Trust Deed and the STID) and shall upon the Bond Trustee being so directed or requested (i) by an Extraordinary Resolution (as defined in the Bond Trust Deed) of holders of the relevant Sub-Classes of Class A Bonds or, if there are no Class A Bonds outstanding, the Class B Bonds or (ii) in writing by holders of at least one quarter in outstanding nominal amount of the relevant Sub-Class of Class A Bonds, or if there are no Class A Bonds outstanding, the Class B Bonds and subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Programme Issuer and the Security Trustee that the Bonds of the relevant Sub-Class are, and they shall immediately become, due and repayable, at their respective Redemption Amounts determined in accordance with Condition 8(d) (*Optional Redemption*) (except that, in the case of Fixed Rate Bonds and Indexed Bonds for the purposes of this Condition 11(a), the "**Reference Date**" means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 11(a)) or as specified in the applicable Final Terms.

(b) *Confirmation of no Event of Default*

The Programme Issuer, pursuant to the terms of the CTA, shall provide written confirmation to the Bond Trustee, on a semi-annual basis, that no Event of Default has occurred.

(c) *Enforcement of Security*

If the Bond Trustee gives written notice to the Programme Issuer and the Security Trustee that an Event of Default has occurred under the Bonds of any Sub-Class, a Standstill Period shall commence. The Security Trustee may only enforce the Security acting in accordance with the STID and, subject to certain limitations on enforcement during a Standstill Period, on the instructions of the Majority Creditors (provided that the relevant Quorum Requirement has been met) pursuant to the STID.

Following the notification of an Event of Default, the STID will provide for a Standstill Period (as defined in the Master Definitions Agreement) to commence and for certain restrictions to apply to all Secured Creditors of the Obligors. The CTA will also contain various Trigger Events that will, if they occur, (among other things) permit the Majority Creditors (provided that the relevant

Quorum Requirement has been met) to commission an Independent Review, require AWL to discuss its plans for appropriate remedial action and prevent the Financing Group from making further Restricted Payments until the relevant Trigger Events have been remedied.

(d) *Automatic Acceleration*

In the event of the acceleration of the Secured Liabilities (other than a Permitted Share Pledge Acceleration, a Permitted Hedging Termination or a Permitted Lease Termination as set out in the STID), the Bonds of each Series shall automatically become due and repayable at their respective Redemption Amounts determined in accordance with Condition 8(d) (*Optional Redemption*) (except that, in the case of Fixed Rate Bonds and Indexed Bonds for the purposes of this Condition 11(d), "**Reference Date**" means the date two Business Days prior to the date of such acceleration) or as specified in the applicable Final Terms plus, in each case, accrued and unpaid interest thereon.

12. **Enforcement Against the Programme Issuer**

No Bondholder is entitled to take any action against the Programme Issuer or against any assets of the Programme Issuer to enforce its rights in respect of the Bonds or to enforce any of the Security unless the Bond Trustee or the Security Trustee (as applicable), having become bound so to proceed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing. The Security Trustee will act (subject to Condition 11(c) (*Enforcement of Security*)) on the instructions of the Majority Creditors (provided that the relevant Quorum Requirement has been met) pursuant to the STID and neither the Bond Trustee nor the Security Trustee shall be bound to take any such action unless it is indemnified and/or secured and/or prefunded to its satisfaction against all fees, costs, expenses, liabilities, claims and demands to which it may thereby become liable or which it may incur by so doing.

Neither the Bond Trustee nor the Bondholders may institute against, or join any person in instituting against, the Programme Issuer any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver and manager pursuant to the terms of the Security Agreement and subject to the STID) or other proceeding under any similar law for so long as any Bonds are Outstanding or for two years and a day after the latest Maturity Date on which any Bond of any Series is due to mature.

13. **Prescription**

Claims against the Programme Issuer for payment in respect of the Bonds, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect thereof.

14. **Replacement of Bonds, Coupons, Receipts and Talons**

If any Bearer Bond, Registered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the London Stock Exchange (in the case of listed Bonds) (and each other listing authority, stock exchange and or quotation system upon which the relevant Bonds have then been admitted to listing, trading and/or quotation), at the specified office of the Principal Paying Agent or, as the case may be, the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Programme Issuer may require. Mutilated or defaced Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. **Meetings of Bondholders, Modification, Waiver and Substitution**

(a) *Decisions of Majority Creditors, STID Matters and STID Direct Voting Matters*

The STID will contain provisions dealing with the manner in which STID Matters affecting the interests of the Secured Creditors (including the Bond Trustee and the Bondholders) will be dealt with. Bondholders will (subject to various Reserved Matters and Entrenched Rights) be bound by the decisions of the Majority Creditors (provided that the relevant Quorum Requirement has been met).

The STID will provide that the holders of Class A Bonds (the "**Qualifying Bondholders**") shall each be entitled to instruct the Bond Trustee through the clearing systems in accordance with the terms of the Bond Trust Deed to vote on their behalf in relation to such STID Direct Voting Matters as the DIG Representative of such Bondholder.

As will be more fully set out in the STID and the Bond Trust Deed, voting in connection with such STID Direct Voting Matters shall be determined on a pound-for-pound basis by reference to the Outstanding Principal Amount owed to each Qualifying Secured Creditor voting in respect of such STID Direct Voting Matters, so that all votes in favour of the proposal and all votes against the proposal from such Qualifying Secured Creditor are considered on an aggregate basis, irrespective of whether a majority of such holders of Bonds.

For the purpose of voting in connection with a STID Direct Voting Matter, upon receipt thereof in accordance with the provisions of the STID, the Bond Trustee shall promptly forward a copy of such notice to the Qualifying Bondholders in accordance with Condition 17 (*Notices*) requesting them to instruct the Bond Trustee how to vote. After obtaining the instruction of the Qualifying Bondholders, the Bond Trustee will vote in relation to the relevant STID Direct Voting Matter in accordance with such instructions.

If a STID Matter relates to an Entrenched Right of a Sub-Class or Class of Bondholders, such STID Matter shall not be a STID Direct Voting Matter and the Bond Trustee shall be entitled to convene a meeting of any one or more Sub-Classes of Bondholders to consider such STID Matter and the Bond Trustee shall vote in accordance with a direction by those holders of such outstanding Bonds by means of an Extraordinary Resolution of the relevant Sub-Class of Bonds. In any case, the Bond Trustee shall not be obliged to vote unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

(b) *Meetings of Bondholders*

The Bond Trust Deed contains provisions for convening meetings of the Bondholders (including by means of audio or video conference call, subject to the terms of the Bond Trust Deed) to consider any matter affecting their interests, including the modification of the Bonds, the Receipts, the Coupons or any of the provisions of the Bond Trust Deed and any other Finance Document to which the Bond Trustee is a party (subject to the terms of the STID). Any modification may (except in relation to any Entrenched Right or Reserved Matter of the Bond Trustee (as set out in the STID) subject to the terms of the STID, and subject to the provisions concerning ratification and/or meetings of particular combinations of Sub-Classes of Bonds as set out in Condition 16(b) (*Exercise of rights by Bond Trustee*) and the Bond Trust Deed), be made if sanctioned by a resolution passed at a meeting of such Bondholders duly convened and held in accordance with the Bond Trust Deed by a majority of not less than three-quarters of the votes cast (an "**Extraordinary Resolution**") at such meeting. Such a meeting may be convened by the Bond Trustee or the Programme Issuer, and shall be convened by the Programme Issuer upon the request in writing of the relevant Bondholders holding not less than one-tenth in nominal amount of the relevant Bonds for the time being Outstanding.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. in Principal Amount Outstanding of the relevant Bonds for the time being Outstanding or, at any adjourned meeting, one or more persons being or representing Bondholders, whatever the Principal Amount Outstanding of the relevant Bonds held or represented, provided however, that certain matters as set out in paragraph 5 of the Fourth Schedule to the Bond Trust Deed (the "**Basic Terms Modifications**") in respect of the holders of any particular Sub-Class of Bonds may be sanctioned only by an Extraordinary Resolution passed at a meeting of Bondholders of the relevant Sub-Class of Bonds at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter in Principal Amount Outstanding of the relevant Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the relevant Bondholders, Receiptholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of Bondholders holding or representing not less than 75 per cent. in nominal amount of the relevant Bonds for the time being outstanding will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be

contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

Additionally, the Programme Issuer may in accordance with Condition 6(b)(iii)(D) (*Benchmark Amendments*) vary or amend these Conditions, the Bond Trust Deed and/or the Agency Agreement to give effect to certain amendments without any requirement for the consent or approval of Bondholders, and the Bond Trustee shall agree to such variations or amendments subject to the terms of Condition 6(b)(iii)(D) (*Benchmark Amendments*).

(c) *Modification, consent and waiver*

As will be more fully set out in the Bond Trust Deed (and subject to the conditions and qualifications therein and to the terms of the STID), the Bond Trustee may and, in respect of paragraph (iii) below, shall, without the consent of the Bondholders of any Sub-Class, concur with the Programme Issuer or any other relevant parties in making:

(i) any modification of these Conditions, the Bond Trust Deed or any Finance Document if in the opinion of the Bond Trustee such modification is of a formal, minor or technical nature or is made to correct a manifest error;

(ii) any modification and granting any consent under or waiver or authorisation of any breach or proposed breach (or determination that any Event of Default or Potential Event of Default shall not be treated as such) of these Conditions, the Bond Trust Deed or any Finance Document which is, in the opinion of the Bond Trustee, not materially prejudicial to the interests of the Bondholders of that Sub-Class; or

(iii) any modification required (A) for the purpose of enabling Bonds to be issued under the Programme within the United States in reliance on Rule 144A under the Securities Act 1933, as amended or (B) the accession of a Permitted Additional Issuer Subsidiary to the relevant Transaction Documents.

In addition, the Bond Trustee shall be obliged to concur with the Programme Issuer to effect any Benchmark Amendments in the circumstances and as otherwise set out in Condition 6(b)(iii)(D) (*Benchmark Amendments*) without the consent or approval of the Bondholders.

Any such modification, consent, waiver or authorisation shall be binding on the Bondholders of that Sub-Class, and the holders of all relevant Receipts and Coupons and, if the Bond Trustee so requires, notice thereof shall be given by the Programme Issuer to the Bondholders of that Sub-Class as soon as practicable thereafter.

As will be more fully set out in the Bond Trust Deed, the Bond Trustee, in exercising its discretion in making the above modifications, is entitled to take into account any such matters as it in its sole discretion considers relevant, including whether or not the Rating Agencies have confirmed in writing that (or where a Rating Agency is not willing to issue a rating affirmation, AWL (in its capacity as Transaction Agent) has confirmed by certificate that, in its opinion) there will not be any adverse effect on the then current rating of the Bonds.

(d) *Substitution of the Programme Issuer*

As more fully set forth in the STID (and subject to the conditions and qualifications therein), the Bond Trustee may also agree with the Programme Issuer, without reference to the Bondholders, to the substitution of another corporation in place of the Programme Issuer as principal debtor in respect of the Bond Trust Deed and the Bonds of all Series.

16. **Bond Trustee Protections**

(a) *Trustee considerations*

Subject to the terms of the STID and Condition 16(b) (*Exercise of rights by Bond Trustee*), in connection with the exercise, under these Conditions, the Bond Trust Deed or any Finance Document, of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Bond Trustee shall have regard to the interests of the holders

of the Bonds only provided that, if the Bond Trustee considers, in its sole opinion, that there is a conflict between the interests of the holders of the Class A Bonds and the interests of the holders of the Class B Bonds, the Bond Trustee shall only consider the interests of the holders of the Class A Bonds and where, in the sole opinion of the Bond Trustee, there is a conflict of interest between holders of two or more Sub-Classes of Bonds of the same Class, it shall only consider the interests of the holders of the Sub-Class of Bonds with the shortest dated maturity and, in either case, will not have regard to the consequences of such exercise for the holders of other Classes or Sub-Classes of Bonds or for individual Bondholders, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Bond Trustee shall not be entitled to require from the Programme Issuer, nor shall any Bondholders be entitled to claim from the Programme Issuer or the Bond Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Bondholders of any such exercise.

(b) *Exercise of rights by Bond Trustee*

Subject as provided in sub-paragraph (a) above or elsewhere in these Conditions and the Bond Trust Deed, the Bond Trustee will exercise its rights under, or in relation to, the Bond Trust Deed or the Conditions in accordance with the directions of the relevant Bondholders, but the Bond Trustee shall not be bound as against the Bondholders to take any such action unless it has (a) (in respect of the matters set out in Condition 11 (*Events of Default*) and Condition 15(a) (*Decisions of Majority Creditors, STID Matters and STID Direct Voting Matters*) only) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the relevant Sub-Classes of Bonds Outstanding; or (b) been so directed by an Extraordinary Resolution; and been indemnified and/or furnished with security and/or prefunded to its satisfaction.

(c) *Decisions under STID binding on all Bondholders*

Subject to the provisions of the STID and the Entrenched Rights and Reserved Matters of the Bond Trustee and the Bondholders, decisions of the Majority Creditors (provided that the relevant Quorum Requirement has been met) will bind the Bond Trustee and the Bondholders in all circumstances.

17. **Notices**

Notices to holders of Registered Bonds will be posted to them at their respective addresses in the Register and deemed to have been given on the date of posting. Other notices to Bondholders will be valid if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*). The Programme Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the London Stock Exchange and any other listing authority, stock exchange and/or quotation system on which the Bonds are for the time being listed. Any such notice (other than to holders of Registered Bonds as specified above) 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. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Bonds in accordance with this Condition 17.

So long as any Bonds are represented by Global Bonds, notices in respect of those Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or any other relevant clearing system as specified in the relevant Final Terms for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in London. Such notices shall be deemed to have been received by the Bondholders on the day of delivery to such clearing systems.

18. **Indemnification of the Bond Trustee and Security Trustee**

(a) *Indemnification of the Bond Trustee*

The Bond Trust Deed contains provisions for indemnification of the Bond Trustee, and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against the Programme Issuer and/or any other person unless indemnified and/or

secured and/or prefunded to its satisfaction. The Bond Trustee or any of its affiliates (as defined in Condition 7 (*Indexation*)) are entitled to enter into business transactions with the Programme Issuer, the other Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom.

(b) *Indemnification of the Security Trustee*

Subject to the Entrenched Rights and Reserved Matters of the Security Trustee, the Security Trustee will only be required to take any action under or in relation to, or to enforce or protect the Security, or any other security interest created by a Finance Document, or a document referred to therein, if instructed to act by the Majority Creditors or Secured Creditors (or their representatives) (as appropriate), pursuant to the terms of the STID and if indemnified and/or secured and/or prefunded to its satisfaction.

(c) *Directions, Duties and Liabilities*

Neither the Security Trustee nor the Bond Trustee, in the absence of its own wilful misconduct, gross negligence or fraud, and in all cases when acting as directed by or subject to the agreement of the Majority Creditors or Secured Creditors (or their representatives) (as appropriate) pursuant to the terms of the STID, shall in any way be responsible for any loss, costs, damages or expenses or other liability, which may result from the exercise or non-exercise of any consent, waiver, power, trust, authority or discretion vested in the Security Trustee or the Bond Trustee pursuant to the STID, any Finance Document or any Ancillary Document.

19. **Miscellaneous**

(a) *Governing Law*

The Bond Trust Deed, STID, the Security Agreement, the Bonds, the Coupons, the Receipts, the Talons (if any), and the other Finance Documents are, and any non-contractual obligations arising out of or in connection with such documents (including all non-contractual obligations) shall be governed by English law.

(b) *Jurisdiction*

The courts of England are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the Bonds, the Coupons, the Receipts, the Talons and the Finance Documents and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Coupons, the Receipts, the Talons (if any) and/ or the Finance Document may be brought in such courts.

(c) *Third Party Rights*

No person shall have any right to enforce any term or condition of the Bonds or the Bond Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any rights or remedy which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

CHAPTER 9
FORM OF THE BONDS

Form and Exchange – Bearer Bonds

Each Sub-Class of Bonds initially issued in bearer form will be issued either as a temporary global bond (the "**Temporary Global Bond**"), without Coupons or Talons attached, or a permanent global bond (the "**Permanent Global Bond**" and, together with each Temporary Global Bond, the "**Global Bonds**"), without interest Coupons or Talons attached, in each case as specified in the relevant Final Terms. If the Global Bonds or the Registered Bonds issued in global form represented by registered global certificates (each a "**Global Bond Certificate**") are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form or to be held under the new safekeeping structure which applies to Global Bond Certificates held by a common safekeeper for Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") and which is required for such Global Bond Certificates to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations ("**NSS**") (as the case may be), (i) the Global Bonds or the Global Bond Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper and (ii) the relevant clearing systems will be notified whether or not such Global Bonds or Global Bond Certificates are intended to be held in a manner which would allow Eurosystem eligibility.

Global Bonds which are not issued in NGN form ("**CGNs**") and Global Bond Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"), and/or any other relevant clearing system.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-(c)(2)(i)(C) (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 "**TEFRA C Rules**") or United States Treasury Regulation §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 Code) (the "**TEFRA D Rules**") are applicable in relation to the Bonds. Bearer Bonds will be issued in compliance with TEFRA D Rules unless (i) the relevant Final Terms state that Bonds are issued in compliance with the TEFRA C Rules or (ii) the Bonds are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstances in which the Bonds 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 (including in circumstances where the Bonds have a term of less than one year taking into account any unilateral right to extend or rollover). Bearer Bonds issued in compliance with the TEFRA D Rules must be initially represented by a Temporary Global Bond.

Temporary Global Bond exchangeable for Permanent Global Bond

If the relevant Final Terms specifies the form of Bonds as being represented by "Temporary Global Bond exchangeable for a Permanent Global Bond", then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for interests in a Permanent Global Bond, without Coupons or Talons attached, not earlier than 40 days after the issue date of the relevant Sub-Class of the Bonds upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Bond is to be exchanged for an interest in a Permanent Global Bond, the Programme Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Bond, duly authenticated, to the bearer of the Temporary Global Bond or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Bond in accordance with its terms against:

- presentation and (in the case of final exchange) surrender of the Temporary Global Bond at the specified office of the Paying Agent; and
- receipt by the Paying Agent of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Bond shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Bond exceed the aggregate initial principal amount of the Temporary Global Bond and any Temporary Global Bond representing a fungible Sub-Class of Bonds with the Sub-Class of Bonds represented by the first Temporary Global Bond.

The Permanent Global Bond will be exchangeable in whole, but not in part, for Bonds in definitive form ("**Definitive Bearer Bonds**"):

- on the expiry of such period of notice as may be specified in the relevant Final Terms;
- at any time, if so specified in the relevant Final Terms;
- if the relevant Final Terms specify "Closure of clearing systems", then if Euroclear, Clearstream, Luxembourg, or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- the Programme Issuer certifies to the Bond Trustee that it has or will, on the next payment date for interest or principal, become subject to adverse tax consequences which would not be suffered if the Bonds are not represented by a Permanent Global Bond.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bearer Bonds, the Programme Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bearer Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the specified office of the Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

Temporary Global Bond exchangeable for Definitive Bearer Bonds

If the relevant Final Terms specifies the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bearer Bonds" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole but not in part, for Definitive Bearer Bonds not earlier than 40 days after the issue date of the relevant Sub-Class of the Bonds.

If the relevant Final Terms specifies the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bearer Bonds" and also specifies that the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for Definitive Bearer Bonds not earlier than 40 days after the issue date of the relevant Sub-Class of the Bonds upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Bond is to be exchanged for Definitive Bearer Bonds, the Programme Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bearer Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Bond so exchanged to the bearer of the Temporary Global Bond against the presentation (and in the case of final exchange, surrender) of the Temporary Global Bond at the specified office of the Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the issue of such Bonds.

Permanent Global Bond exchangeable for Definitive Bearer Bonds

If the relevant Final Terms specifies the form of Bonds as being "Permanent Global Bond exchangeable for Definitive Bearer Bonds", then the Bonds will initially be in the form of a Permanent Global Bond which will be exchangeable in whole, but not in part, for Definitive Bearer Bonds:

- on the expiry of such period of notice as may be specified in the Final Terms;

- at any time, if so specified in the Final Terms;

- if the relevant Final Terms specifies "Closure of clearing systems", then if Euroclear, Clearstream, Luxembourg, or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

- the Programme Issuer certifies to the Bond Trustee that it has or will, on the next payment date for interest or principal, become subject to adverse tax consequences which would not be suffered if the Bonds are not represented by a Permanent Global Bond.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bearer Bonds, the Programme Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bearer Bonds, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the specified office of the Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

In the event that a Global Bond is exchanged for Definitive Bearer Bonds, such Definitive Bearer Bonds shall be issued in Specified Denominations(s) only. A Bondholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Bearer Bond in respect of such holding and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more Specified Denominations. If the Global Bond is in NGN form, the details of such exchange shall be entered pro rata into the relevant clearing system.

Conditions applicable to the Bonds

The Conditions applicable to any Definitive Bearer Bond will be endorsed on that Bond and will consist of the Conditions set out under section "*Terms and Conditions of the Bonds – The Bonds*" above and the provisions of the relevant Final Terms which supplement, amend, vary and/or replace those Conditions.

The Conditions applicable to any Global Bond will differ from those Conditions which would apply to the Definitive Bearer Bond to the extent described under section "*Provisions Relating to the Bonds while in Global Form - The Bonds*".

Legend concerning United States persons

Global Bonds and Bearer Bonds in bearer form having a maturity of more than 365 days and any Receipts, Coupons and Talons appertaining thereto will bear a legend to the following effect:

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

The sections referred to in such legend provide that a United States person who holds a Bearer Bond, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Bond, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Form and Exchange – Registered Global Bonds

The following description is in respect of registered bonds issued under the Programme that are offered outside the United States in accordance with Regulation S of the Securities Act.

Registered Global Bonds

Registered Bonds held in Euroclear and/or Clearstream, Luxembourg and/or any other clearing system will be represented by a registered global bond (each a "**Registered Global Bond**") which will be registered in

the name of a nominee for, and deposited with, a depositary for Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system on or about the Issue Date of the relevant Sub-Class.

Exchange

The Registered Global Bond will become exchangeable in whole, but not in part, for definitive registered bonds (each a "**Definitive Registered Bond**") if: (a) Euroclear or Clearstream, Luxembourg and/or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; any of the circumstances described in Condition 11(a) (*Events of Default*) occurs; (b) at any time at the request of the registered Holder if so specified in the Final Terms; or (c) the Programme Issuer certifies to the Bond Trustee that it has or will, on the next payment date for interest or principal, become subject to adverse tax consequences which would not be suffered if the Bonds are not represented by a Registered Global Bond.

Whenever the Registered Global Bond is to be exchanged for Definitive Registered Bond, such will be issued in an aggregate principal amount equal to the principal amount of the Registered Global Bond within seven Business Days of the delivery, by or on behalf of the registered Holder of the Registered Global Bond to the Registrar or the Transfer Agents (as the case may be) of such information as is required to complete and deliver such Definitive Registered Bond (including the names and addresses of the persons in whose names the Definitive Registered Bond are to be registered and the principal amount of each such person's holding) against the surrender of the Registered Global Bond at the specified office of the Registrar or the Transfer Agent (as the case may be). Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar or the Transfer Agents (as the case may be) may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Rights Against the Programme Issuer

Under the Bond Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to interests in the Bonds will (subject to the terms of the Bond Trust Deed and the STID) acquire directly against the Programme Issuer all those rights to which they would have been entitled if, immediately before the Global Bond or Registered Global Bond became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (as the case may be).

Provisions Relating to the Bonds while in Global Form

Clearing System Accountholders

References in the Conditions of the Bonds to "**Bondholder**" are references to the bearer of the relevant Global Bond or the person shown in the records of the relevant clearing system as the holder of the Registered Global Bond.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, as being entitled to an interest in a Global Bond or a Registered Global Bond (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Programme Issuer to such Accountholder and in relation to all other rights arising under the Global Bond or Registered Global Bond. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Bond or Registered Global Bond will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system (as the case may be) from time to time. For so long as the relevant Bonds are represented by a Global Bond or Registered Global Bond, Accountholders shall have no claim directly against the Programme Issuer in respect of payments due under the Bonds and such obligations of the Programme Issuer will be discharged by payment to the bearer of the Global Bond or the registered holder of the Registered Global Bond, as the case may be.

Amendment to Conditions

Global Bonds will contain provisions that apply to the Bonds which they represent, some of which modify the effect of the Conditions of the Bonds as set out in this Prospectus. The following is a summary of certain of those provisions:

(a) *Meeting*: The holder of a Global Bond or Registered Global Bond shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, the holder of a Global Bond or Registered Global Bond shall be treated as having one vote in respect of each minimum denomination of Bonds for which such Global Bond or Registered Global Bond may be exchanged.

(b) *Cancellation*: Cancellation of any Bond represented by a Global Bond or Registered Global Bond that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Bond or Registered Global Bond.

(c) *Notices*: So long as any Bonds are represented by a Global Bond or Registered Global Bond and such Global Bond or Registered Global Bond is held on behalf of Euroclear, Clearstream, Luxembourg or any other relevant clearing system, notices to the Bondholders may be given, subject always to listing requirements, by delivery of the relevant notice to the Euroclear, Clearstream, Luxembourg or any other relevant clearing system for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions.

(d) *Payment*: For the purpose of any payments made in respect of a Global Bond, the relevant place of presentation shall be disregarded in the definition of "**business day**" set out in Condition 9(g) (*Non-Business Days*).

All payments in respect of any Bond represented by a Registered Global Bond will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

PROHIBITION OF SALES TO EEA - The Bonds 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 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of 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 "**EU PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS - The Bonds 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 United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in the Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[**MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET**– Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")]/[MiFID II]; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (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 Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook and professional clients, as defined in [Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**")]/[UK MiFIR]; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the Bonds (a "**distributor**")]/[distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA") - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Programme Issuer has determined the classification of the Bonds as [capital

markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018).[3] [4]]

FINAL TERMS DATED [●]

AFFINITY WATER FINANCE PLC

Legal Entity Identifier (LEI): 213800SN9HLGE6532G57

Issue of [Sub-Class [●][●] [Aggregate Nominal Amount of Sub-Class]

[TITLE OF BONDS]

guaranteed by, *inter alios,* AFFINITY WATER SERVICES LIMITED

under the £2,500,000,000 Global Secured Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Any person making or intending to make an offer of the Bonds may only do so in circumstances in which no obligation arises for the Programme Issuer or any Dealer to publish a prospectus pursuant to the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions set forth in the base prospectus dated [●] [and the supplemental prospectus dated [●]] which [together] constitute[s] a base prospectus (the "**Prospectus**") for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). This document constitutes the Final Terms of the Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with such Prospectus [as so supplemented] in order to obtain all the relevant information. [The Prospectus [and the supplemental Prospectus] [has] [have] been published on the Programme Issuer's website at [●].]

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Prospectus dated [original date] and incorporated by reference into the base prospectus dated [●][and the supplemental prospectus dated [●] (the "**Prospectus**")]. This document constitutes the Final Terms of the Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Prospectus dated [●] [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation in order to obtain all the relevant information, including the Conditions incorporated by reference in the Prospectus. [The Prospectus [and the supplemental Prospectus] have been published on the Programme Issuer's website at [●]]

[Repayment of the principal and payment of any interest or premium in connection with the Bonds has not been guaranteed by any financial institution.]

1.	(i)	Issuer:	Affinity Water Finance PLC
	(ii)	Guarantors:	Affinity Water Finance PLC, Affinity Water Holdings Limited, Affinity Water Limited and Affinity Water Finance (2004) plc

[3] Legend to be included on front of the Final Terms if the Programme Issuer needs to re-classify the Bonds as "capital markets products other than prescribed capital markets products" and "Specified Investment Products" pursuant to Section 309B of the SFA and the Bonds are to be offered in Singapore. Relevant Dealer(s) to consider whether it / they have received the necessary product classification from the Programme Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

[4] Relevant Dealer(s) to consider whether it/they have received the necessary Singapore product classification from the Programme Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

2.	(i)	Series Number:	[●]
	(ii)	Sub-Class Number:	[●]
	(iii)	Tranche Number:	[●]
	(iv)	[Sub-Class Number for the purposes of consolidation under Condition 1(c) (*Title*):]	[●]
	(v)	[Date on which become consolidated under Condition 1(c) (*Title*)]:	[Not applicable/The Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/the exchange of the Temporary Global Bond for the Permanent Global Bond, as referred to in paragraph [22] below [which is expected to occur on or about [●]]]
3.	Relevant Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		
	(i)	Series:	[●]
	(ii)	Sub-Class:	[●]
	(iii)	Tranche:	[●]
5.	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]
	(ii)	Net proceeds: (required only for listed issues)	[●]
6.	(i) Specified Denominations:		[●] [€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Bonds in definitive form will be issued with a denomination above [€199,000].]
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date (if different from the Issue Date):	[[●]/Issue Date/Not Applicable]
8.	[Maturity Date]/[Final Reference Date]:		[●]
9.	Instalment Date:		[Not applicable/[●]]
10.	Interest Basis:		[[●] per cent. Fixed Rate] [[SONIA/EURIBOR] +/-[●] per cent. per cent. Floating Rate] [Index Linked Interest] [Zero Coupon]
11.	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption]

			[Instalment]
			[Other (*specify*)]
12.	Change of Interest or Redemption/Payment Basis:		[*Specify details of any provision for convertibility of Bonds into another interest or redemption/payment basis*] / [Not Applicable]
13.	Call Options:		[Call Option][Programme Issuer Maturity Call][Clean-up Call][Not Applicable] (further particulars specified below)
14.	(i)	Status of the Guarantees:	Senior
	(ii)	[Date [Board] approval for issuance of Bonds [and Guarantee] obtained:	[●] [and [●], respectively]]
15.	Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Bond Provisions:		[Applicable/Not Applicable]
	(i)	Interest Rate:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear on each Interest Payment Date]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[not adjusted]
	(iii)	Fixed Coupon Amounts:	[●] per Calculation Amount
	(iv)	Broken Amounts:	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual]360] [30/360] [30E/360 or Eurobond Basis][30E/360 (ISDA)]
	(vi)	Determination Date:	[●] in each year
	(vii)	Reference Bond:	[●]
17.	Floating Rate Bond Provisions:		[Applicable/Not Applicable]
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[[●] in each year[, 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)	First Interest Payment Date:	[●]
	(iii)	Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(iv)	Manner in which the Rate(s) of Interest is/are to be determined:		[Screen Rate Determination/ISDA Determination]
(v)	Party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and Redemption Amount (if not the Agent Bank):		[Not Applicable/Calculation Agent]
(vi)	Screen Rate Determination:		[Applicable/Not Applicable]
	(a)	Specified Duration:	[●]
	(b)	Relevant Time:	[●]
	(c)	Relevant Rate:	[●]
	(d)	Interest Determination Date(s):	[●]
	(e)	Relevant Screen Page:	[●] [EURIBOR] [SONIA]
(vii)	ISDA Determination:		[Applicable/Not Applicable]
	(a)	Floating Rate Option:	[[●] / EUR-EURIBOR-Reuters (*if 2006 ISDA Definitions apply*) / EUR-EURIBOR (*if 2021 ISDA Definitions apply*) / EUR-EuroSTR/EUR-EuroSTR Compounded Index / GBP-SONIA/GBP-SONIA Compounded Index / USD-SOFR/USD-SOFR Compounded Index]
	(b)	Specified Duration:	[●]
	(c)	Reset Date:	[●]
	(d)	[ISDA Definitions]	[2006 ISDA Definitions] / [2021 ISDA Definitions]
	(e)	Compounding:	[Applicable/Not Applicable]
	(f)	[Compounding Method:	[Compounding with Lookback: [●] Applicable Business Days] / [Compounding with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable]] / [Compounding with Lockout: [●] Lockout Period Business Days Lockout Period Business Days: [●]/[Applicable Business Days]]
	(g)	Index Provisions	[Applicable/Not Applicable]
	(h)	[Index Method:	Compounded Index Method with Observation Period Shift Observation Period Shift: [●] Observation Period Shift Business Days Observation Period Shift Additional Business Days: [●]/[Not Applicable]]
(viii)	Linear Interpolation:		[Not Applicable/Applicable – the Interest Rate for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]

	(ix)	Margin(s):	[Not Applicable] [[+/-][●] per cent. per annum]
		[Step-Up Fees:]	[●]
		[Step-Up Date:]	[●]
	(x)	Minimum Interest Rate:	[Not Applicable] [[●] per cent. per annum]
	(xi)	Maximum Interest Rate:	[Not Applicable] [[●] per cent. per annum]
	(xii)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360] [30E/360 or Eurobond Basis] [30E/360 (ISDA)]
	(xiii)	Additional Business Centre(s):	[●]
	(xiv)	Relevant Financial Centre:	[●]
	(xv)	Representative Amount:	[●]
18.	Zero Coupon Bonds		[Applicable/Not Applicable]
	Accrual Yield:		[●] per cent. per annum
	Reference Price:		[●]
	Any other formula/basis of determining amount payable:		[●]
	Day Count Fraction in relation to Early Redemption Amounts and late payment:		[Condition 8(h) (*Early Redemption of Zero Coupon Bonds*)]
19.	Indexed Bond Provisions:		[Applicable/Not Applicable]
	(i)	Index/Formula:	[RPI/HICP/CPI/CPIH]
	(ii)	Base Index Figure:	[●]
	(iii)	Index Figure applicable:	[As determined in accordance with Condition 7(a) (*Definitions(RPI)*); [3/8] months lag applies]
	(iv)	Interest Rate:	[●] per cent. (as adjusted for indexation in accordance with Condition 7 (*Indexation*))
	(v)	Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank):	[Not Applicable/Calculation Agent]
	(vi)	Provisions for determining Coupon where calculation by reference to index and/or formula is impossible or impracticable:	Applicable. [Conditions 7(a) and 7(e) (*for RPI*)] / [Condition 7(f) to 7(h) (*for HICP*)] / [Condition 7(i) to 7(m) (*for CPI and CPIH*)]
	(vii)	Interest or calculation period(s):	[●]
	(viii)	Interest Payment Dates:	[●]

(ix)	First Interest Payment Date:	[●]
(x)	Business Day Convention:	[Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention]
(xi)	Business Centres:	[●]
(xii)	Minimum Indexation Factor:	[Not Applicable/[●]]
(xiii)	Maximum Indexation Factor:	[Not Applicable/[●]]
(xiv)	Value of "t" for determining CPI_{m-t}, $CPIH_{m-t}$, RPI_{m-t} or $HICP_{m-t}C$ (as applicable):	[Not Applicable/[●]]
(xv)	Limited Indexation Month(s):	[●]
(xvi)	Reference Gilt:	[●]
(xvii)	Day Count Fraction:	[Actual/Actual ICMA] [Actual/365] [Actual/365 (Fixed)] [Actual/360] [30/360] [30E/360 or Eurobond Basis] [30E/360 (ISDA)]
(xviii)	Base Index Figure:	[●]
(xix)	Determination Date(s):	[●]

PROVISIONS RELATING TO REDEMPTION

20.	Programme Issuer Maturity Call		[Applicable in accordance with Condition 8(b) (*Programme Issuer Maturity Call*)]] / [Not Applicable]
	(i)	Notice Period:	[●]/[As specified in Condition 8(b) (*Programme Issuer Maturity Call*)]]
	(ii)	Programme Issuer Maturity Call Notice Period:	The period commencing on (and including) the day that is [●] [days / months] prior to the Maturity Date to (but excluding) the Maturity Date
21.	Clean-up Call		[Applicable in accordance with Condition 8(c) (*Clean-up Call*)] / [Not Applicable]
	(i)	Notice Period:	[●]/[As specified in Condition 8(c) (*Clean-up Call*)]
	(ii)	Clean-up Call Percentage:	[75 per cent. / [●] per cent.]
22.	Call Option:		[Applicable in accordance with Condition 8(d) (*Optional Redemption*)] / [Not Applicable]
	(i)	Notice Period:	[●]/[As specified in Condition 8(d) (*Optional Redemption*)]
	(ii)	Optional Redemption Date(s):	Any Interest Payment Date [prior to the first day of the Programme Issuer Maturity Call Period]] [In the case of Floating Rate Bonds, not before [●] and at a premium of [●], if any]
	(iii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●]/[As specified in Condition 8(d) (*Optional Redemption*)]

	(iv)	Redemption Margin:	[[Not Applicable] / [●]]
	(v)	if redeemable in part:	
		(a) Minimum Redemption Amount:	[Not Applicable] [●] per Calculation Amount]
		(b) Maximum Redemption Amount:	[Not Applicable] [●] per Calculation Amount]
	(vi)	Quotation Time:	[●]
23.	Final Redemption Amount:		[●] per Calculation Amount
24.	Reference Bond:		[●] [Not Applicable]
25.	Applicable Uplift:		[[●] basis points] [Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE BONDS

26.	Form of Bonds:		[Bearer/Registered]
	(i)	If issued in Bearer form:	[Temporary Global Bond exchangeable for a Permanent Global Bond which is exchangeable for Definitive Bearer Bonds on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Bond/for tax reasons.] [Temporary Global Bond exchangeable for Definitive Bearer Bonds on [●] days' notice]. [Permanent Global Bond exchangeable for Definitive Bearer Bonds on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Bond/for tax reasons.]
	(ii)	If Registered Bonds:	[Registered Global Bond exchangeable for Definitive Registered Bonds]
27.	New Global Note:		[Yes][No][Not Applicable]
28.	Held under New Safekeeping Structure:		[Yes][No][Not Applicable]
29.	Relevant Financial Centre(s) or other special provisions relating to Payment Dates:		[Not Applicable/[●]]
30.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Bonds (and dates on which such Talons mature):		[Yes/No]
31.	Details relating to Instalment Bonds:		[Not Applicable][Applicable]
	(i)	Instalment Date:	[●]
	(ii)	Instalment Amount:	[●]
32.	Green Bonds:		[Applicable]/[Not Applicable]

DISTRIBUTION

33.	If syndicated, names of Managers:	[Not Applicable/[●]]
34.	If non-syndicated, name of Dealer:	[Not Applicable/[●]]
35.	Stabilisation Manager (if any):	[Not Applicable/[●]]
36.	U.S. Selling Restrictions	[Reg S Compliance Category, TEFRA C/TEFRA D/TEFRA not applicable]

THIRD PARTY INFORMATION

[Relevant third party information] has been extracted from [source]. The Programme 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 [source], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Programme Issuer:

……

By: [●]
Duly authorised

Signed on behalf of Affinity Water Limited:

……

By: [●]
Duly authorised

Signed on behalf of Affinity Water Holdings Limited:

……

By: [●]
Duly authorised

Signed on behalf of Affinity Water Finance (2004) plc:

……

By: [●]
Duly authorised

PART B - OTHER INFORMATION

1. Listing

(i)	Listing:	[London / None on the Issue Date. The Programme Issuer intends to list the Bonds in London following the Issue Date.]
(ii)	Admission to trading:	[Application has been made by the Programme Issuer (or on its behalf) for the Bonds to be admitted to trading on the London Stock Exchange's main Market and listing on the Official List of the FCA with effect from [●].] [Application is expected to be made for the Bonds to be admitted to trading on the London Stock Exchange's Main Market and listing on the Official List of the FCA with effect from [●].][None on the Issue Date. The Programme Issuer intends to apply for the Bonds to be admitted to trading on the London Stock Exchange's Main Market and listing on the official list of the FCA following the Issue Date.]
(iii)	Estimate of total expenses related to admission to trading:	[●]

2. Ratings

Ratings:	[The Bonds to be issued [have been/are expected to be] rated]: [S&P: [●]] [Moody's: [●]] [Fitch: [●]]][Not Applicable]

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

[Save for any fees payable to the [Managers/Dealers], so far as the Programme Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer.]/[The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with and perform other services for, the Programme Issuer [and the other Obligors] and [its/their] affiliates in the ordinary course of business.]/[Save as discussed in ["Subscription and Sale"], so far as the Programme Issuer is aware, no person involved in the offer of the Bonds 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 if other than for general corporate purposes.] [*If relevant in the applicable Final Terms, the following language shall be included*: The net proceeds from the issuance of the Bonds will be allocated to the financing or refinancing of, and/or investment in the Eligible Green Portfolio falling within the Eligible Green Project Categories as described in Chapter 10 "*Use of Proceeds*" under "*Green Bonds*" in the Prospectus]

(See Chapter 10 "Use of Proceeds" in the Prospectus)

(ii)	[Estimated net proceeds:	[●]
(iii)	[Estimated total expenses:	[●]

5. [**YIELD**

Indication of yield: [●]

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

6. [**Floating Rate Bonds Only - HISTORICAL INTEREST RATES**

Details of historical [*reference rate*] can be obtained from [Reuters/Bloomberg/*give details of electronic means of obtaining the details of performance*].]

7. [**INDEXED BONDS ONLY – PERFORMANCE OF RETAIL PRICE INDEX / UK CONSUMER PRICES INDEX / UK CONSUMER PRICES INDEX INCLUDING OWNER OCCUPIERS' HOUSING COSTS AND COUNCIL TAX AND OTHER INFORMATION CONCERNING THE UNDERLYING**

(i) Name of underlying index:	[UK Retail Price Index (RPI) (all items) published by the Office for National Statistics / UK Consumer Prices Index (CPI) / UK Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax (CPIH)] / [any comparable index which may replace the UK Retail Price Index / UK Consumer Prices Index / UK Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax]
(ii) Information about the Index, its volatility and past and future performance can be obtained from:	More information on [RPI / CPI / CPIH / comparable index which may replace RPI / CPI / CPIH] including past and current performance and its volatility and fall back provisions in the event of a disruption in the publication of RPI / CPI / CPIH, can be found at [www.statistics.gov.uk / relevant replacing website / www.ons.gov.uk/economy/inflationandpriceindices]

Operational information

ISIN:	[●]
Common Code:	[●]
[CFI:	[Not Applicable / [See [●] as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Available]
[FISN:	[Not Applicable / [See [●] as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Available]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking	[Not Applicable/[●]]

S.A. and the relevant identification number(s):	
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	[●]
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 Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] and does not necessarily mean that the Bonds 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 these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Bonds are capable of meeting them the Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)]. Note that this does not necessarily mean that the Bonds 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.]

CHAPTER 10
USE OF PROCEEDS

The net proceeds from each issue of Bonds by the Programme Issuer under the Programme will be on-lent to AWL under the terms of a Programme Issuer/AWL Loan Agreement to be applied by AWL for its general corporate purposes or used to repay or service AWL's Financial Indebtedness.

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

For the purposes of this Chapter:

"**Affinity Water Green Finance Framework**" means the green finance framework published by AWL in February 2025 and as updated from time to time (available at https://www.affinitywater.co.uk).

"**Eligible Green Portfolio**" means a portfolio of one or more Eligible Green Projects.

"**Eligible Green Projects**" means investments which fall within the Eligible Green Project Categories.

"**Eligible Green Project Categories**" means the categories prepared by the Programme Issuer and/or AWL as set out in the Affinity Water Green Finance Framework (which shall initially be made available at https://www.affinitywater.co.uk). Examples of such categories at the date of this Prospectus include (1) sustainable water and wastewater management, (2) pollution prevention and control, and (3) terrestrial and aquatic biodiversity conservation.

Green Bonds

Where the applicable Final Terms denote a Series of Bonds as "Green Bonds" ("**Green Bonds**"), an amount equal to the net proceeds of the Bonds will be on-lent by the Programme Issuer to AWL for the financing and/or refinancing of, in part or in whole, Eligible Green Projects.

A third-party consultant, DNV Business Assurance Services UK Limited, has reviewed the Affinity Water Green Finance Framework published as at the date of this Prospectus and has published an opinion dated 27 February 2025 which is available at https://www.affinitywater.co.uk/docs/Investor_Library/GreenFinance/second-party-opinion-green-finance-framework-2025.pdf (the "**Second Party Opinion**").

In respect of any Green Bonds issued, a third-party consultant will verify the allocated and unallocated portions of an amount equal to the net proceeds along with any allocation reports issued while such Green Bonds are outstanding (a "**Green External Review**"). Any such Green External Review will be made available at https://www.affinitywater.co.uk/corporate/investors/library (but does not form part of this Prospectus).

The Affinity Water Green Finance Framework, the Second Party Opinion, any Green External Review, and any other documentation relevant to Bonds issued as Green Bonds are subject to review and change and may be amended, updated, supplemented, replaced or withdrawn from time to time. Potential investors in Bonds issued as Green Bonds should access the latest version of the relevant document on the Programme Issuer's website.

For the avoidance of doubt, none of the Affinity Water Green Finance Framework, the Second Party Opinion, any Green External Review or any other certification, review, report, opinion or post-issuance report relating to the Affinity Water Green Finance Framework or Bonds issued as Green Bonds are, or shall be deemed to be, incorporated in and/or form part of this Prospectus.

The Programme Issuer and/or AWL have established systems and/or processes to monitor and account for an amount equal to the net proceeds for investment in Eligible Green Projects.

Process for Project Evaluation and Selection

The Board of AWL is the ultimate decision-making authority and approves the annual budget and business plan for each 5-year regulatory period.

AWL has established a Green Finance Committee who will meet annually and oversee the evaluation and selection of suitable Eligible Green Projects for funding via Green Bonds. The Green Finance Committee

will include the Chief Finance Officer, Head of Corporate Finance and Director of Regulation and Strategy alongside specialists, as required, from the sustainability, capital delivery, operations and treasury departments.

Expenditures will be assessed annually by the Green Finance Committee to determine whether they meet the definition of an Eligible Green Project, in line with the proposed Eligible Green Project Categories. A final decision on alignment to the framework will be made by the collective committee.

Reporting in Relation to Green Bonds

The Programme Issuer and/or AWL will produce a report annually on the allocation of proceeds of any Green Bonds and the impact of outstanding green funding. The report will include a list of the Eligible Green Project Categories to which an amount equal to net proceeds has been allocated, as well as a brief description of the Eligible Green Projects and their expected impact.

Allocation and impact reporting will be made available to investors and wider stakeholders on AWL's website at https://www.affinitywater.co.uk (which does not form part of this Prospectus) within 12 months from the issuance of any financial instrument in accordance with the Affinity Water Green Finance Framework. Reporting will occur on an annual basis until full allocation of an amount equal to the net proceeds of the Green Bonds, with material developments, being reported in a timely manner.

AWL's allocation reporting will include:

a) a description of Eligible Green Projects financed in accordance with the Affinity Water Green Finance Framework with case study examples;

b) the allocation granted to Eligible Green Projects;

c) the split between financing and refinancing; and

d) information on how any unallocated proceeds are being held.

Management of Proceeds

An amount equal to the net proceeds of an issue of Green Bonds will be managed by the treasury function of AWL, using its existing internal financial reporting processes. All expenses against projects will be tracked by AWL's financial, planning and analysis team and will ultimately be used to finance, refinance or invest in Eligible Green Projects in the Eligible Green Project Categories.

AWL will maintain a register on an ongoing basis for tracking Eligible Green Projects to which an amount equal to the net proceeds of any Green Bonds is to be allocated, or has been allocated, with associated investments recorded in its accounting systems.

The register will contain details of the Green Bonds and details of the use of proceeds including project details.

The treasury function will maintain the register of Eligible Green Projects and will present these to the Green Finance Committee on an annual basis, from which it can allocate against any new funds raised.

If a project no longer qualifies under the above eligibility criteria, AWL will either reclassify funds assigned to that project as unallocated proceeds or reallocate the proceeds to a project which does meet the eligibility criteria.

Net proceeds

Where any proceeds cannot be immediately allocated to finance or refinance Eligible Green Projects, the funds will be placed as cash deposits or money market funds purposes in accordance with the limits set out in our Treasury Policy which aims to ensure sufficient liquidity is available at all times should the proceeds be needed for Eligible Green Projects.

AWL aims to allocate an amount equal to the net proceeds of any Green Bonds to Eligible Green Projects originated, approved, financed or completed between 24 months (look-back period) before the issuance

date of any financial instrument in accordance with the Affinity Water Green Finance Framework to 24 months after the issuance date.

In addition, an amount equal to the net proceeds can be used for the refinancing of existing physical green assets insofar as they are in use, follow the relevant eligibility criteria at the time of issuance and are still assessed as making a meaningful impact and will be subject to the same look-back period.

CHAPTER 11
DESCRIPTION OF THE HEDGING COUNTERPARTIES

The information contained herein with respect to the Hedging Counterparties relates to and has been obtained from each Hedging Counterparty, respectively.

Barclays Bank PLC

Barclays Bank PLC ("**Bank**", and together with its subsidiary undertakings, the "**Barclays Bank Group**") is a public limited company registered in England and Wales under company number 1026167. The liability of the members of the Bank is limited. It has its registered head office at 1 Churchill Place, London E14 5HP, United Kingdom (telephone number: +44 (0)20 7116 1000). The Bank was incorporated on 7 August 1925 under the Colonial Bank Act 1925, and registered as a company limited by shares under the Companies Acts 1948 to 1967 on 4 October 1971. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Bank was re-registered as a public limited company and its name was changed from 'Barclays Bank International Limited' to 'Barclays Bank PLC'. The whole of the issued ordinary share capital of the Bank is beneficially owned by Barclays PLC. Barclays PLC (together with its subsidiary undertakings, the "**Group** " or "**Barclays** ") is the ultimate holding company of the Group. The Bank's principal activity is to offer products and services designed for larger corporate, private bank and wealth management, wholesale and international banking clients.

Barclays is a diversified bank with five operating divisions comprising: Barclays UK, Barclays UK Corporate Bank, Barclays Private Bank and Wealth Management, Barclays Investment Bank and Barclays US Consumer Bank, supported by Barclays Execution Services Limited, the Group-wide service company providing technology, operations and functional services to businesses across the Group. Barclays UK broadly represents businesses that sit within the UK ring-fenced bank and its subsidiaries, and comprises Personal Banking, Business Banking and Barclaycard Consumer UK. The Personal Banking business offers retail solutions to help customers with their day-to-day banking needs. The UK Business Banking business serves business clients, from high growth start ups to small-and-medium-sized enterprises, with specialist advice. The Barclaycard Consumer UK business offers flexible borrowing and payment solutions.

The remaining divisions broadly represent the businesses that sit within the UK non-ring fenced bank, the Barclays Bank and its subsidiaries. Barclays UK Corporate Bank offers lending, trade and working capital, liquidity, payments and FX solutions for corporate clients with turnover from £6.5m (excluding those that form part of the FTSE 350). Barclays Private Bank and Wealth Management comprises the Private Bank, Wealth Management and Investments businesses. Barclays Investment Bank incorporates the Global Markets, Investment Banking and International Corporate Banking businesses, serving FTSE 350, multinationals and financial institution clients that are regular users of Investment Bank services. Barclays US Consumer Bank represents the US credit card business, focused in the partnership market, as well as an online deposit franchise.

The short term unsecured obligations of the Bank are rated A-1 by S&P Global Ratings UK Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the unsecured unsubordinated long term obligations of the Bank are rated A+ by S&P Global Ratings UK Limited, A1 by Moody's Investors Service Ltd. and A+ by Fitch Ratings Limited. The Bank's credit ratings included or referred to in this Prospectus will be treated for the purposes of the UK CRA Regulation as having been issued by Fitch Ratings Limited ("**Fitch**"), Moody's Investors Service Ltd. ("**Moody's**") and S&P Global Ratings UK Limited ("**S&P**"), each of which is established in the United Kingdom and has been registered under the UK CRA Regulation. As such, each of S&P, Moody's and Fitch appears on the latest update of the list of registered credit rating agencies (as of the date of this Prospectus on the FCA's Financial Services Register). The ratings each of Fitch, Moody's and S&P have given in relation to the Bank are endorsed by Fitch Ratings Ireland Limited, Moody's Deutschland GmbH and S&P Global Ratings Europe Limited, respectively, each of which is established in the European Economic Area (EEA) and registered under the EU CRA Regulation.

Based on the Barclays Bank Group's audited financial information for the year ended 31 December 2023, the Barclays Bank Group had total assets of £1,185,166m (December 2022: £1,203,537m), total loans and advances, debt securities at amortised cost of £185,247m (December 2022: £182,507m), total deposits at amortised cost of £301,798m (December 2022: £291,579m), and total equity of £60,504m (December 2022: £58,953m). The profit before tax of the Barclays Bank Group for the year ended 31 December 2023 was £4,223m (December 2022: £4,867m) after credit impairment charges of £1,578m (December 2022: credit

impairment charges of £933m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2023, as set out in the 2023 20-F.

Based on the Barclays Bank Group's unaudited financial information for the six months ended 30 June 2024, the Barclays Bank Group had total assets of £1,283,964m (December 2023: £1,185,166m), total loans and advances and debt securities at amortised cost of £190,572m (December 2023: £185,247m), total deposits at amortised cost of £324,012m (December 2023: £301,798m), and total equity of £59,110m (December 2023: £60,504m). The profit before tax of the Barclays Bank Group for the six months ended 30 June 2024 was £2,677m (June 2023: £3,132m) after credit impairment charges of £831m (June 2023: credit impairment charges of £688m). The financial information in this paragraph is extracted from the unaudited condensed consolidated interim financial statements of the Bank for the six months ended 30 June 2024, as set out in the H12024 6-K.

BNP Paribas

BNP Paribas' organisation is based on three operating divisions: Corporate & Institutional Banking (CIB), Commercial, Personal Banking & Services (CPBS) and Investment & Protection Services (IPS):

Corporate and Institutional Banking (CIB) division, combines:

- Global Banking,
- Global Markets, and
- Securities Services.

Commercial, Personal Banking & Services division, covers:

- Commercial & Personal Banking in the euro zone:
    - Commercial & Personal Banking in France (CPBF),
    - BNL banca commerciale (BNL bc), Italian Commercial & Personal Banking,
    - Commercial & Personal Banking in Belgium (CPBB),
    - Commercial & Personal Banking in Luxembourg (CPBL);
- Commercial & Personal Banking outside the euro zone, organised around:
    - Europe-Mediterranean, covering Commercial & Personal Banking outside the euro zone, in particular in Central and Eastern Europe, Turkey and Africa.
- Specialised businesses:
    - BNP Paribas Personal Finance,
    - Arval and BNP Paribas Leasing Solutions,
    - New Digital Businesses (in particular Nickel, Floa, Lyf) and BNP Paribas Personal Investors.

Investment & Protection Services division, combines:

- Insurance (BNP Paribas Cardiff),
- Wealth and Asset Management: BNP Paribas Asset Management, BNP Paribas Real Estate, BNP Paribas Principal Investments (management of the BNP Paribas Group's portfolio of unlisted and listed industrial and commercial investments) and BNP Paribas Wealth Management.

The information contained in this section relates to and has been obtained from BNP Paribas. The information concerning BNP Paribas and the BNP Paribas Group contained herein is furnished solely to

provide limited introductory information regarding BNP Paribas and the BNP Paribas Group and does not purport to be comprehensive.

The delivery of the information contained in this section shall not create any implication that there has been no change in the affairs of BNP Paribas or the BNP Paribas Group since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

For up-to-date financial information, including quarterly results since the last fiscal year end, please refer to https://invest.bnpparibas/en/ (which does not form part of this Prospectus).

HSBC Bank plc

HSBC Bank plc and its subsidiaries form a group providing a range of banking products and services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a company limited by shares in 1880. In 1923, the company adopted the name Midland Bank Limited, which it held until 1982 when it re-registered as a public limited company and changed its name to Midland Bank plc. In 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in 1999. 288 HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. As at the date of this Prospectus, the HSBC Group serves customers worldwide across 62 countries and territories.

With total assets of $3,038,677 million at 31 December 2023, HSBC is one of the world's largest banking and financial services organisations. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

National Australia Bank Limited (ABN 12 004 044 937)

National Australia Bank Limited (ABN: 12 004 044 937) ("**NAB**") is a public limited company incorporated in the Commonwealth of Australia and operates under Australian legislation including the Corporations Act 2001 of Australia. Its registered office is Level 28, 395 Bourke Street, Melbourne, Victoria 3000, Australia. NAB is the holding company for the NAB Group (comprising NAB and its controlled entities), as well as being the main operating company.

NatWest Markets Plc

NatWest Markets Plc ("**NWM Plc**") is a wholly-owned subsidiary of NatWest Group plc (the "**holding company**").

The "**NWM Group**" comprises NWM Plc and its subsidiary and associated undertakings. The "**NatWest Group**" comprises the holding company and its subsidiary and associated undertakings, including the NWM Group.

As part of NatWest Group, NWM Plc supports NatWest Group's corporate and institutional customers. NWM Plc works in close collaboration with teams across NatWest Group to provide capital markets and risk management solutions to its customers.

Further information relating to the NWM Group can be found in the NWM Plc 2024 Annual Report and Accounts and any relevant NWM Group Registration Document, including any updates or supplements thereto and other relevant filings or announcements, which can be found at: https://investors.natwestgroup.com/regulatory-news/company-announcements.

The most recent ratings of NWM Plc and the respective entities can be found on: https://investors.natwestgroup.com/fixed-income-investors/credit-ratings.

The contents of those websites do not form part of this Prospectus and are not incorporated by reference into this Prospectus.

Nomura International plc

Nomura International plc was incorporated on 12 March 1981 and is registered as a public limited company in England and Wales (registration number 1550505). Nomura International plc's registered office is situated at 1 Angel Lane, London, EC4R 3AB, United Kingdom. Nomura International plc is a wholly owned subsidiary of Nomura Europe Holdings plc, which in turn is a wholly owned subsidiary of Nomura Holdings, Inc. Nomura Holdings, Inc. is a holding company which manages financial operations for its subsidiaries. Nomura International plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Lloyds Bank Corporate Markets plc

Lloyds Bank Corporate Markets plc ("**Lloyds Bank Corporate Markets**") (LEI 213800MBWEIJDM5CU638) is a wholly owned subsidiary of Lloyds Banking Group plc (together with its subsidiary undertakings from time to time, "**Lloyds Banking Group**"), was incorporated under the laws of England and Wales on 28 September 2016 (registration number 10399850) and is authorised by the PRA and regulated by the FCA and the PRA. Lloyds Bank Corporate Markets' registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom.

Lloyds Bank Corporate Markets was created in response to the Financial Services (Banking Reform) Act 2013, which took effect from 1 January 2019 and requires the separation of certain commercial banking activities and international operations from the rest of the Lloyds Banking Group. Lloyds Bank Corporate Markets provides a range of banking and financial services through its UK and overseas branches and offices, with operations in the UK, the Crown Dependencies, the United States, and Germany. These products and services form an integral part of the client service proposition of the Lloyds Banking Group.

Additional information on Lloyds Bank Corporate Markets, and Lloyds Banking Group's approach to ring-fencing, is available from Investor Relations, Lloyds Banking Group, 25 Gresham Street, London EC2V 7HN or from the following internet website address: http://www.lloydsbankinggroup.com. The information on this website does not form part of this Prospectus.

Royal Bank of Canada

Royal Bank of Canada (referred to in this section as "**Royal Bank**") is a Schedule I bank under the *Bank Act* (Canada), which constitutes its charter and governs its operations. Royal Bank's corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3B 3A9, Canada. Royal Bank is the parent company of RBC Europe Limited, a Dealer under this Programme.

Royal Bank is a global financial institution with a purpose-driven, principles-led approach to delivering leading performance. Its success comes from the 98,000+ employees who leverage their imaginations and insights to bring Royal Bank's vision, values and strategy to life so it can help its clients thrive and communities prosper. As Canada's biggest bank, and one of the largest in the world based on market capitalization, Royal Bank has a diversified business model with a focus on innovation and providing exceptional experiences to its more than 19 million clients in Canada, the U.S. and 27 other countries.

Royal Bank had, on a consolidated basis, as at January 31, 2025, total assets of C$2,191.0 billion (approximately US$1,505.2 billion*), equity attributable to shareholders of C$133.2 billion (approximately US$91.5 billion*) and total deposits of C$1,441.9 billion (approximately US$990.6 billion*). The foregoing figures were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been extracted and derived from, and are qualified by reference to, Royal Bank's unaudited Interim Condensed Consolidated Financial Statements included in its quarterly Report to Shareholders for the fiscal period ended January 31, 2025.

The senior long-term debt** of Royal Bank has been assigned ratings of A (stable outlook) by S&P Global Ratings, A1 (stable outlook) by Moody's Investors Service and AA- (stable outlook) by Fitch Ratings. The legacy senior long-term debt*** of Royal Bank has been assigned ratings of AA- by S&P Global Ratings, Aa1 by Moody's Investors Service and AA by Fitch Ratings. Royal Bank's common shares are listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol "RY." Its preferred shares are listed on the Toronto Stock Exchange.

On written request, and without charge, Royal Bank will provide a copy of its most recent publicly filed Annual Report on Form 40-F, which includes audited consolidated financial statements, to any person to whom this Prospectus is delivered. Requests for such copies should be directed to Investor Relations, Royal Bank of Canada, by writing to 200 Bay Street, South Tower, Toronto, Ontario, M5J 2J5, Canada, or by calling 416-842-2000, or by visiting https://www.rbc.com/investor-relations/****.

The delivery of this Prospectus does not imply that there has been no change in the affairs of Royal Bank since the date of this Prospectus or that the information contained or referred to herein is correct as at any time subsequent to the date of this Prospectus.

* As at 31 January 2025: C$1.00 = US$0.687

** Includes senior long-term debt issued on or after 23 September 2018 which is subject to conversion under the Canadian Bank Recapitalization (Bail-in) regime.

*** Includes senior long-term debt issued prior to 23 September 2018 and senior long-term debt issued on or after 23 September 2018 which is excluded from the Bail-in regime.

**** None of the information on the website is incorporated in this Prospectus.

Banco Santander, S.A.

Banco Santander, S.A. is the parent bank of Grupo Santander ("**Santander**"). It was established on 21 March 1857 and incorporated in its present form by a public deed executed in the city of Santander, Spain, on 14 January 1875.

Banco Santander, S.A. and its consolidated subsidiaries are a financial group operating through a network of offices and subsidiaries across Spain, the United Kingdom and other European countries, Brazil and other South American countries and the US and Mexico, offering a wide range of financial products. In Latin America, Santander has majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay.

At 31 December 2024, Santander had a market capitalization of €67.6 billion, stockholders' equity of €98.6 billion and total assets of €1,837.1 billion. Santander had €1,348.4 billion total customer funds at that date.

As of 31 December 2024, Santander had 65,746 employees and 3,022 branch offices in Europe (of which 23,980 employees and 1,827 branches in Spain and 20,455 employees and 444 branches in the United Kingdom), 42,846 employees and 1,761 branches in North America, 79,571 employees and 2,902 branches in South America (of which 56,619 employees and 2,202 branches in Brazil), 16,792 employees and 326 branches in Digital Consumer Bank Europe and 1,798 employees in the Corporate Centre.

Banco Santander, S.A has a long- term credit rating of "A-" by Fitch, "A+" by Standard & Poor´s, "A2" by Moody´s and "A (high)" by DBRS.

CHAPTER 12
TAX CONSIDERATIONS

UK Taxation

The following is a general summary of the UK withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Bonds. It is based on current UK law and the published practice of His Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other UK tax aspects of acquiring, holding or disposing of Bonds. The comments are made on the assumption that the Programme Issuer of the Bonds is resident in the UK for UK tax purposes. The comments relate only to the position of persons who are absolute beneficial owners of the Bonds and may not apply to certain classes of persons such as dealers, certain professional advisers, or persons connected with the Programme Issuer. The comments do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. Prospective Bondholders should be aware that the particular terms of issue of any series of Bonds may affect the tax treatment of that and other series of Bonds. The following is a general guide for information purposes 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. Bondholders who are in any doubt as to their tax position should consult their professional advisers. Bondholders who may be liable to taxation in jurisdictions other than the UK in respect of their acquisition, holding or disposal of the Bonds 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 UK taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

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

The following description of the UK withholding tax position assumes that there will be no substitution of the Programme Issuer pursuant to Condition 8(d) (Optional Redemption) or 15(d) (Substitution of the Programme Issuer) of the Bonds or otherwise and does not consider the tax consequences of any such substitution.

Payment of Interest by the Programme Issuer on the Bonds

Interest on the Bonds

The Bonds issued will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List of the Financial Conduct Authority and are admitted to trading on the London Stock Exchange.

Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest by the Programme Issuer on the Bonds may be made without withholding or deduction for or on account of United Kingdom tax.

In all other cases, interest will generally be paid by the Programme Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs under domestic law or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. If UK withholding tax is imposed on any payment, the Programme Issuer will not pay additional amounts in respect of the Bonds.

Bonds may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Bonds should not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined below.

Where Bonds 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 are subject to United Kingdom withholding tax.

Payments in respect of the Guarantee

The United Kingdom withholding tax treatment of payments by a Guarantor under the terms of the Guarantee in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) is uncertain. In particular, such payments by a Guarantor may not be eligible for the quoted Eurobond exemption described above. Accordingly, if a Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.). If UK withholding tax is imposed on any payment, no Guarantor will pay additional amounts in respect of the Bonds.

FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" (including an intermediary through which Bonds are held) may be required to withhold at a rate of 30% on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, is not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds proposed regulations have been issued that provide that, such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Department of the Treasury indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Bonds 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 any such Bond is materially modified after such date (including by reason of a substitution of the Programme Issuer). However, if additional tranches of a Sub-Class of Bonds (as described under "*Terms and Conditions—Fungible Issues of Bonds comprising a Sub-Class*") that are not distinguishable from other tranches of such Sub-Class issued prior to the expiry of such grandfathering period are issued after the expiry of the grandfather period and are subject to withholding under FATCA, then withholding agents may treat all Bonds of such Sub-Class, including grandfathered tranches of Bonds of the same Sub-Class, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

CHAPTER 13
SUBSCRIPTION AND SALE

Dealership Agreement

Bonds may be sold from time to time by the Programme Issuer to any one or more of Barclays Bank PLC, Lloyds Bank Corporate Markets plc, National Australia Bank Limited (ABN 12 004 044 937), RBC Europe Limited and NatWest Markets Plc and any other dealer appointed from time to time in respect of the Programme or a particular Issue Date (the "**Dealers**") pursuant to the dealership agreement dated 18 January 2013 as amended, supplemented, restated and/or novated from time to time, made between, amongst others, AWL, the Programme Issuer, the Arranger and the Dealers (the "**Dealership Agreement**"). In the Dealership Agreement, the Programme Issuer, failing whom AWL, have each agreed to reimburse the Arranger and the Dealers for certain of their expenses in connection with the establishment and maintenance of the Programme and the issue of Bonds under the Dealership Agreement and each of the Obligors has agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The arrangements under which a particular Sub-Class of Bonds may from time to time be agreed to be sold by the Programme Issuer to, and purchased by, Dealers are set out in the Dealership Agreement and the subscription agreements relating to each Sub-Class of Bonds. Any such agreement will, among other things, make provision for the form and terms and conditions of the relevant Bonds, the price at which such Bonds will be subscribed by the Dealer(s) and the commissions or other agreed deductibles (if any) payable or allowable by the Programme Issuer in respect of such subscription. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series, Class or Sub-Class of Bonds. Each new Dealer so appointed will be required to represent, warrant and undertake to the following selling restrictions as part of its appointment.

The relevant Dealers will be entitled in certain circumstances to be released and discharged from their obligations in respect of a proposed issue of Bonds under or pursuant to the Dealership Agreement prior to the closing of the issue of such Bonds, including in the event that certain conditions precedent are not delivered or met to their satisfaction on or before the issue date of such Bonds. In this situation, the issuance of such Bonds may not be completed. Investors will have no rights against the Programme Issuer or the relevant Dealers in respect of any expense incurred or loss suffered in these circumstances.

Selling and Transfer Restrictions of the United States of America

Selling Restrictions

The Bonds and any guarantees in respect thereof have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them in Regulation S.

Bearer Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and the U.S. Treasury regulations promulgated thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealership Agreement, it will not offer, sell or, in the case of Bearer Bonds, deliver Bonds, and any guarantees in respect thereof (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the closing of the offering or the completion of the distribution of the Bonds, within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each Dealer to which it sells Bonds and any guarantees in respect thereof during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds and any guarantees in respect thereof within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them in Regulation S.

The Bonds and any guarantees in respect are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of Bonds comprising any Sub-Class, any offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Programme Issuer for use in connection with the offer and sale of the Bonds outside the United States. The Programme Issuer and the Dealers reserve the right to reject any offer to purchase the Bonds, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Programme Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Transfer Restrictions

Each purchaser of the Bonds outside the United States pursuant to Regulation S and each subsequent purchaser of such Bonds in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Bonds, will be deemed to have represented, agreed and acknowledged that:

(a) It is, or at the time the Bonds are purchased will be, the beneficial owner of such Bonds and (i) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (ii) it is not an affiliate of the Programme Issuer or a person acting on behalf of such an affiliate.

(b) It understands that such Bonds and any Guarantees in respect thereof have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Bonds except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(c) It understands that such Bonds, unless otherwise determined by the Programme Issuer in accordance with applicable law, will bear a legend to the following:

"THIS NOTE AND THE GUARANTEES IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."

(d) It understands that the Programme Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds 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 Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; 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 Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds 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 UK. 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 (8) of Article 2 of the Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; 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 Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

United Kingdom

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

(a) in relation to any Bonds which have a maturity of less than one year from the date of issue, (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 Bonds other than 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 where the issue of the Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Programme 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 Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Obligors; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

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 and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds 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 Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Bonds, the Programme Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) 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).

General

Each Dealer has represented and agreed that, to the best of its knowledge and belief, it has complied and will comply in all material respects with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Bonds or possesses, distributes or publishes this Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Prospectus or any Final Terms comes are required by the Programme Issuer, the Guarantors 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 Notes or possess, distribute or publish this Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date thereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Programme Issuer. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Series, Class or Sub-Class of Bonds) or in a supplement to this Prospectus.

CHAPTER 14
GENERAL INFORMATION

The Programme Issuer

The Programme Issuer's legal entity identified number is 213800SN9HLGE6532G57.

Authorisation

The establishment of the Programme, the issue of Bonds thereunder and the giving of the guarantee by the Programme Issuer of the obligations of AWL and the Existing Issuer were duly authorised by resolutions of the board of directors (the "**Board**") of the Programme Issuer passed at a meeting of the Board held on 15 January 2013.

The update of the Programme has been duly authorised by resolutions of the board of directors, passed at a meeting of such board of directors on 25 February 2025. The Programme Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

The giving of the guarantees by each of AWL, AWHL and the Existing Issuer has been duly authorised by a resolution of the board of directors of each of AWL, AWHL and the Existing Issuer, respectively, dated 12 December 2012 (in the case of AWL) and 15 January 2013 (in the case of each of AWHL and the Existing Issuer), respectively.

Listing of Bonds

It is expected that each Sub-Class of Bonds which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Temporary Global Bond or Permanent Global Bond (or one or more Global Bond Certificates) initially representing the Bonds of such Sub-Class. The listing of the Programme in respect of Bonds was granted on the Initial Issue Date and is expected to be updated on or around 5 March 2025.

However, Bonds may also be issued pursuant to the Programme which will not be listed on the Market or any other Stock Exchange or which will be listed on such other or further listing authority, stock exchange(s) and/or quotation system as may be agreed between the Programme Issuer and the relevant Dealer(s).

Documents Available

For so long as the Programme remains in effect or any Bonds shall be Outstanding, copies of the following documents may (when published) be inspected during normal business hours (in the case of Bearer Bonds) at the specified office of the Principal Paying Agent, (in the case of Registered Bonds) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Bond Trustee:

(i) the annual audited report and financial statements of AWL, AWHL, the Programme Issuer and the Existing Issuer for the years ended 31 March 2024 and 31 March 2023;

(ii) a copy of this Prospectus;

(iii) a copy of the base prospectus dated 18 January 2013 in respect of the Programme;

(iv) a copy of the base prospectus dated 1 September 2015 in respect of the Programme;

(v) a copy of the base prospectus dated 3 November 2017 in respect of the Programme;

(vi) any Final Terms relating to Bonds which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. In the case of any Bonds which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Bondholders;

(vii) the Security Agreement;

(viii) each Investor Report; and

(ix) the Bond Trust Deed.

Clearing Systems

The Bonds will be accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Sub-Class of Bonds to be allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 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.

Significant or Material Change

Unless otherwise disclosed in this Prospectus, since 31 March 2024 (being the date of the latest published audited financial statements), there has been no significant change in the financial performance or financial position, and since 31 March 2024, there has been no material adverse change in the financial position or prospects of each of the Programme Issuer, the Existing Issuer, AWL and AWHL and/or their subsidiaries.

Litigation

Each Obligor confirms in respect of itself and in respect of each other member of the Financing Group that there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Existing Issuer, the Programme Issuer, AWL or AWHL or any other member of the Financing Group is aware) which may have or have had in the 12 months preceding the date of this Prospectus a significant effect on the financial position or profitability of the Existing Issuer, the Programme Issuer, AWL, AWHL and/or the Financing Group, respectively.

Availability of Financial Statements

The audited unconsolidated annual financial statements of the Existing Issuer, the Programme Issuer, AWL and AWHL are prepared as of 31 March in each year. AWHL has not published and does not intend to publish any interim financial statements. The unaudited unconsolidated interim financial statements of AWL are prepared as of 30 September in each year. All future audited unconsolidated annual financial statements (and any published interim financial statements) of the Programme Issuer, the Existing Issuer and AWL and the audited unconsolidated annual financial statements of AWHL will be available free of charge in accordance with section "*Documents Available – General Information*" above.

Auditors

The auditors of AWL, AWHL, the Existing Issuer and the Programme Issuer are PricewaterhouseCoopers LLP (the "**Auditors**"), of 40 Clarendon Road, Watford, Hertfordshire, WD17 1JJ, which is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. The statutory audited financial statements of AWL, AWHL, the Programme Issuer and the Existing Issuer have been prepared in accordance with generally accepted accounting standards in the United Kingdom for the years ended 31 March 2024 and 31 March 2023. In each case the Auditors have given unmodified reports which contained no statement under section 498(2) or (3) of the Companies Act 2006. The audited accounts of AWL, AWHL, the Programme Issuer and the Existing Issuer have been delivered to the Registrar of Companies.

The audit reports of PricewaterhouseCoopers LLP with respect to the audited financial statements of AWL, AWHL, the Programme Issuer and the Existing Issuer as of and for the years ended 31 March 2024 and 31 March 2023, in accordance with the Companies Act 2006 provides: "This report, including the opinions, has been prepared for, and only for, the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.".

Bond Trustee's reliance on reports and legal opinions

Certain of the reports of accountants and other experts to be provided in connection with the Programme and/or the issue of Bonds thereunder may be provided on terms whereby they contain a limit on the liability of such accountants or other experts. The Bond Trustee will not necessarily be an addressee to such reports.

Under the terms of the Programme, the Bond Trustee will not necessarily receive a legal opinion in connection with each issue of Bonds.

Legend

Global Bonds and Bearer Bonds and any Receipts, Talons and Coupons appertaining thereto will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds such a Bond, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bond, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Information in respect of the Bonds

The Issue Price and the amount of the relevant Bonds will be determined, before filing of relevant Final Terms of each Tranche, based on then prevailing market conditions. The Programme Issuer does not intend to provide any post-issuance information in relation to any issues of Bonds; however, see the requirement to deliver an Investor Report in accordance with the CTA as described in Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement*".

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 Programme Issuer and its Affiliates in the ordinary course of business. Certain of the Dealers and their Affiliates may have positions, deal or make markets in the Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Programme Issuer and its Affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their Affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Programme Issuer or the Programme Issuer's Affiliates. Certain of the Dealers or their Affiliates that have a lending relationship with the Programme Issuer routinely hedge their credit exposure to the Programme 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 Bonds issued under the Programme. Any such positions could adversely affect future trading prices of Bonds issued under the Programme or whether a specified barrier or level is reached. 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.

Third Party Information

Information contained in this Prospectus which is sourced from third parties (including Ofwat) has been accurately reproduced and, as far as the Programme Issuer is aware and is able to ascertain from information received from or published by such third parties (as appliable), no facts have been omitted which would render the reproduced information inaccurate or misleading.

CHAPTER 15
FINANCIAL INFORMATION

INTRODUCTION

Affinity Water Limited, Affinity Water Finance PLC, Affinity Water Finance (2004) plc and Affinity Water Holdings Limited each maintains its financial books and records and prepares its audited financial statements in Sterling in accordance with Financial Reporting Standard 101: 'Reduced disclosure framework' ("**FRS 101**"). Under FRS 101, the companies apply the recognition and measurement requirements of EU-adopted International Financial Reporting Standards ("**IFRS**"), but make amendments where necessary in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

"**Acceleration of Liabilities**" or "**Acceleration**" means an acceleration of any Secured Liabilities or termination of a commitment (or equivalent action) (excluding the taking of any Independent Enforcement Action) including:

(a) the delivery of a termination notice from a Finance Lessor or AWL terminating the leasing of Equipment under a Finance Lease;

(b) the delivery of a notice by AWL or a Finance Lessor requesting the prepayment of any Rentals under a Finance Lease;

(c) the early termination of any hedging obligations (whether by reason of an event of default, termination event or other right of early termination) under a Hedging Agreement; or

(d) the taking of any other steps to recover any payment due in respect of any Secured Liabilities, which have matured for repayment and are overdue, by a Secured Creditor or Secured Creditors pursuant to the terms of the applicable Finance Document and in accordance with the STID,

"**acceleration**" and "**accelerate**" will be construed accordingly.

"**Accession Memorandum**" means: (a) with respect to the STID, each memorandum to be entered into pursuant to clause 2 (*Accession*) or clause 22 (*Benefit of Deed*) (as applicable) of the STID and which is substantially in the form set out in Schedule 1 (*Form of Accession Memorandum*) to the STID; (b) with respect to the Bond Trust Deed, a memorandum in substantially the form set out in Schedule 5 (*Form of Accession Memorandum - Guarantor*) to the Bond Trust Deed pursuant to which a Guarantor accedes to the Bond Trust Deed; (c) with respect to the Agency Agreement, a memorandum in substantially the form set out in Schedule 3 (*Form of Accession Memorandum*) to the Agency Agreement pursuant to which a Guarantor accedes to the Agency Agreement; (d) with respect to the Tax Deed of Covenant, a memorandum in substantially the form set out in the Schedule (*Form of Accession Memorandum*) to the Tax Deed of Covenant pursuant to which a Permitted Subsidiary accedes to the Tax Deed of Covenant; (e) with respect to the Dealership Agreement, a memorandum in substantially the form set out in Schedule 3 (*Form of Accession Memorandum*) to the Dealership Agreement pursuant to which a Permitted Subsidiary accedes to the Dealership Agreement; and (f) with respect to the Account Bank Agreement, a memorandum in substantially the form set out in Schedule 2 (*Form of Accession Memorandum*) to the Account Bank Agreement pursuant to which a Permitted Subsidiary accedes to the Account Bank Agreement.

"**Account**" means any bank account of any Obligor.

"**Account Bank**" means Barclays Bank PLC or any successor account bank appointed pursuant to the Account Bank Agreement.

"**Account Bank Agreement**" means the account bank agreement dated on the Initial Issue Date between, among others, the Obligors, the Account Bank, the Standstill Cash Manager and the Security Trustee.

"**Actual/360**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**Actual/365 (Fixed)**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**Actual/Actual (ICMA)**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**Actual/Actual (ISDA)**" has the meaning given to it in Conditions 6(l) (*Definitions*).

"**Additional Secured Creditor**" means any person not already a Secured Creditor which becomes a Secured Creditor pursuant to the provisions of clause 2 (*Accession*) of the STID and any Subordinated Creditor acceding to the STID pursuant to clause 2.5 (*Accession of Subordinated Creditor*) of the STID will not constitute a Secured Creditor.

"**Adjusted Lease Reserve Amount**" means, in respect of any Finance Lease and from the declaration of an Event of Default in any Test Period commencing on 1 April in any year, the relevant portion of the Annual Finance Charge for such Test Period relating to such Finance Lease as calculated pursuant to

paragraph 8.11 (*Debt Service Payment Account*) of Schedule 10 (*Cash Management*) to the CTA, as calculated pursuant to such paragraph 8.

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

(a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(b) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(c) (if the Independent Adviser determines that no such spread is customarily applied) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**AFBRL**" means Affinity for Business (Retail) Limited, a company incorporated with limited liability in England and Wales, registered number 09933767.

"**Affected Secured Creditor**" means each Secured Creditor whose Entrenched Rights are affected by a STID Proposal or Direction Notice.

"**Affiliate**" means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company, other than:

(a) in any Hedging Agreement when used in relation to a Hedging Counterparty, where "Affiliate" has the meaning given to it in that Hedging Agreement; and

(b) in relation to The Royal Bank of Scotland plc (trading as NatWest), the term "Affiliate" shall not include:

(i) the UK government or any member or instrumentality thereof, including His Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof); or

(ii) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including His Majesty's Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings; and

(c) in the terms and conditions of the Bonds, "Affiliate" has the meaning given to it in such terms and conditions.

"**Affinity Group**" means Affinity Water Acquisitions (Investments) Limited and its Subsidiaries.

"**Affinity Water Green Finance Framework**" means the green finance framework published by AWL in February 2025, and as updated from time to time (available at https://www.affinitywater.co.uk).

"**Agency Agreement**" means the agreement dated on the Initial Issue Date between the Programme Issuer, AWL and the Agents referred to therein under which, amongst other things, the Principal Paying Agent is appointed as issuing agent, principal paying agent and agent bank for the purposes of the Programme.

"**Agent**" means the Agent Bank, the Principal Paying Agent, the Registrar, the Transfer Agent, any Paying Agent or any other agent appointed by the Programme Issuer pursuant to the Agency Agreement or Calculation Agency Agreement.

"**Agent Bank**" means Deutsche Bank AG, London Branch (or any successor thereto) in its capacity as agent bank under the Agency Agreement in respect of the Bonds.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 6(b)(iii)(B) (*Successor Rate or Alternative Rate*) is customarily applied in international debt capital markets transactions for the purposes of determining floating rates of interest (or the relevant component part thereof) for a commensurate period and in the same Relevant Currency as the Bonds.

"**AMP**" means an asset management plan submitted by AWL to the economic regulator in respect of a five-year period.

"**AMP Period**" means a five year period in relation to which an asset management plan is submitted by AWL to Ofwat.

"**AMP7**" means the AMP Period commencing on 1 April 2020.

"**AMP8**" means the AMP Period commencing on 1 April 2025.

"**Ancillary Documents**" means the valuations, reports, legal opinions, tax opinions and the like addressed to or given for the benefit of the Security Trustee, any Obligor or any Secured Creditor in respect of the Security Assets.

"**Annual Finance Charge**" means, in respect of the Pre-Test Period and thereafter in respect of each 12 month period commencing 1 April in any subsequent year, the aggregate of all interest (or amounts in the nature of interest (including, but not limited to, lease rentals and hedging payments)) due or to become due (after taking account of the impact on interest rates of any Hedging Agreements then in place) during that Pre-Test Period or 12 month period on the Class A Debt and the Class B Debt (including, for the avoidance of doubt, all interest due on the Class B Debt but not yet payable as a result of the restrictions imposed on the payment of that indebtedness contained in the Finance Documents), all fees and commissions payable to each Finance Party within that Pre-Test Period or 12 month period and the Lease Reserve Amounts or, during a Standstill Period, the Adjusted Lease Reserve Amounts falling due in that Pre-Test Period or 12 month period, excluding all indexation of principal, all costs incurred in raising such debt, amortisation of the costs of issue of such debt in that Pre-Test Period or Test Period, accretions by indexation to the notional amount under any RPI Linked Hedging Agreement and all other costs incurred in connection with the raising of such debt less all interest received, or in respect of forward-looking ratios, receivable by any member of the Financing Group from a third party during such period (excluding interest received or receivable under the Intra-Group Loans or any loan or other forms of Financial Indebtedness to Affiliates).

"**Applicable Accounting Principles**" means accounting principles, standards and practices generally accepted in the United Kingdom as applied from time to time and making such adjustments (if any) as the Auditors may consider appropriate arising out of changes to applicable accounting principles or otherwise from time to time.

"**Appointed Business**" means the appointed business of a "**relevant undertaker**" (as that term is defined by Section 219 of the WIA).

"**Ardleigh Arrangement**" means the arrangement between AWL and Anglian Water Services Limited established pursuant to The Ardleigh Reservoir Order 1967 (1967 No. 1173) including, the "**Ardleigh Reservoir Committee**" established pursuant to Section 19 of that order and any related arrangement concerning the allocation of costs or drawing of water in respect of the Ardleigh Reservoir.

"**arm's length**", "**arm's length basis**" or "**arm's length terms**" means, in relation to any transaction or arrangement, (i) such transaction or arrangement being on arm's length terms or (ii) such transaction or arrangement being on terms whereby an Obligor receives additional benefit or value which such Obligor would not otherwise receive if the transaction were on arm's length terms (but without such transaction or arrangement resulting in a breach of Conditions F and/or K of AWL's Instrument of Appointment).

"**Arranger**" means Lloyds Bank Corporate Markets plc, the arranger in relation to the Programme.

"**Associate**" means:

(a) any person who has a Controlling interest in any member of the Financing Group;

(b) any person who is Controlled by a member of the Financing Group,

and in each case, any Affiliate of such person.

"**Assumptions**" means those assumptions which formed the basis for the AWL Business Plan.

"**Auditors**" means PricewaterhouseCoopers LLP or such other firm of accountants of international repute as may be appointed by AWL in accordance with the CTA as the Auditors for the Financing Group.

"**Authorised Credit Facility**" means any facility or agreement entered into by the Programme Issuer, the Existing Issuer or AWL for Class A Debt or Class B Debt as permitted by the terms of the CTA, the providers of which are parties to, or have acceded to, the STID and the CTA, and includes, the Liquidity Facilities, the Programme Issuer/AWL Loan Agreements, the Existing Issuer/AWL Loan Agreements, the Revolving Credit Facilities, the Bond Trust Deed, the Existing Issuer Bond Trust Deed, the Bonds, the Existing Issuer Bonds, the Hedging Agreements, and any other document entered into in connection with the foregoing facilities or agreements or the transactions contemplated in the foregoing facilities or agreements (excluding, however, the Dealership Agreement and the Common Documents).

"**Authorised Credit Provider**" means a lender or other provider of credit or financial accommodation under any Authorised Credit Facility (and includes each Issuing Bank).

"**Authorised Investments**" means:

(a) securities issued by the government of the United Kingdom;

(b) demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, provided that the relevant entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Authorised Investment Minimum Rating;

(c) any other obligations, provided that in each case the relevant investment has the Authorised Investment Minimum Rating;

(d) any money market funds or equivalent investments which have a rating of at least A- by S&P, A3 by Moody's and A- by Fitch (to the extent the Fitch Appointment Right has been exercised by the Transaction Agent) (provided that such rating shall not be required from any such Rating Agency that is not then rating the Bonds and the Existing Issuer Bonds);

(e) any deposit made with the Account Bank; or

(f) any Bonds or the Existing Issuer Bonds purchased for *bona fide* purposes as part of prudent treasury management policies.

"**Authorised Investment Minimum Rating**" means, in respect of any person or investment, such person's or investment's short-term unsecured debt obligations being rated, in the case of:

(a) Moody's, "P-1";

(b) S&P, "A-1"; and

(c) Fitch (to the extent the Fitch Appointment Right has been exercised by the Transaction Agent), "F1",

or, in each case, such lower rating level notified in writing by AWL to the Security Trustee:

(i) which, in the opinion of AWL, having discussed with the relevant Rating Agencies, would not lead to any downgrade or the placing on credit watch negative (or equivalent) of the then current ratings ascribed to any Class and/or Sub-Class of Bonds and/or the Existing Issuer Bonds; and

(ii) provided that such rating shall not be required from any such Rating Agency that is not then rating the any Class and/or Sub-Class of the Bonds and/or the Existing Issuer Bonds.

"**Authorised Signatory**" means any person who is duly authorised by any Obligor or any Party and in respect of whom a certificate has been provided signed by a director of that Obligor or such Party setting out the name and signature of that person and confirming such person's authority to act.

"**Available Class A Headroom**" means the product of (a) the difference in percentage terms between the Threshold Class A RAR and the Class A RAR as at the relevant Calculation Date and (b) RCV for such Calculation Date.

"**Available Senior Headroom**" means the product of (a) the difference in percentage terms between the Threshold Senior RAR and the Senior RAR as at the relevant Calculation Date and (b) RCV for such Calculation Date.

"**AWAHL**" means Affinity Water Acquisitions (Holdco) Limited, a company incorporated with limited liability in England and Wales, registered number 08101957.

"**AWE**" means Affinity Water East Limited, a company incorporated with limited liability in England and Wales, registered number 02663338.

"**AWHL**" means Affinity Water Holdings Limited, a company incorporated with limited liability in England and Wales, registered number 08350099.

"**AWL**" means Affinity Water Limited, a company incorporated with limited liability in England and Wales, registered number 02546950.

"**AWL Business Plan**" means the AWL annual business plan prepared by AWL for the corresponding AMP Period as approved by the board of directors of AWL.

"**AWL Central Region**" has the meaning given to it in Chapter 5 "*Description of the Financing Group*" of this Prospectus.

"**AWL Change of Control**" means the occurrence of any of the following events or circumstances:

(a) AWHL ceasing to hold legally and beneficially all rights in 100 per cent. of the issued share capital of, or otherwise ceasing to Control, AWL, in each case directly or indirectly; or

(b) AWL ceasing to hold legally and beneficially all rights in 100 per cent. of the issued share capital of, or otherwise ceasing to Control, the Programme Issuer or the Existing Issuer.

"**AWL PR14 Business Plan**" means the annual business plan prepared by AWL as approved by the board of directors of AWL and submitted to Ofwat on 2 December 2013.

"**AWL Region**" has the meaning given to it in Chapter 5 "*Description of the Financing Group*" of this Prospectus.

"**AWL Southeast Region**" has the meaning given to it in Chapter 5 "*Description of the Financing Group*" of this Prospectus.

"**AWL VAT Group**" means the VAT group with registration number GB 600 4315 04, of which AWL is the representative member.

"**AWPP**" means the Affinity Water Pension Plan, an occupational pension scheme currently governed by a second definitive trust deed dated 27 March 2015 and rules adopted thereby.

"**AWSE**" means Affinity Water Southeast Limited, a company incorporated with limited liability in England and Wales, registered number 02724316.

"**AWSS**" means Affinity Water Shared Services Limited, a company incorporated with limited liability in England and Wales, registered number 06814554.

"**Base Cash Flows**" means costs are then netted off against the receipts and savings to determine the annual cash flows thereof for each year included in the period over which the costs are to be measured.

"**Base Currency**" means pounds sterling.

"**Base Index Figure**" means (subject to Condition 7(c)(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms.

"**Basic Terms Modifications**" has the meaning given to it in Condition 15(b) (*Meetings of Bondholders*).

"**Bearer Bonds**" means those of the Bonds which are in bearer form.

"**Benchmark Event**" means:

(a) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

(b) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);

(c) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued;

(d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Bonds;

(e) the administrator of that Original Reference Rate or its supervisor publicly announces that such administrator is insolvent; or

(f) it has become unlawful for any Paying Agent, the Agent Bank, the Calculation Agent, the Programme Issuer or other party to calculate any payments due to be made to any Bondholder using the Original Reference Rate,

provided that in the case of sub-paragraphs (b), (c), (d) and (e) above, the Benchmark Event shall 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;

"**Bond Certificates**" means the Global Bond Certificates and the Individual Bond Certificates and "Bond Certificate" means either a Global Bond Certificate or an Individual Bond Certificate, as the context may require.

"**Bond Trust Deed**" means the bond trust deed dated on the Initial Issue Date (as amended and supplemented from time to time) between, among others, the Programme Issuer and the Bond Trustee, under which the Bonds will, on issue, be constituted and any bond trust deed supplemental thereto.

"**Bond Trustee**" means the bond trustee appointed pursuant to the Bond Trust Deed.

"**Bond Trustee Reserved Matters**" means those matters set out in Part C, Part 1 (*Bond Trustee Reserved Matters*) of Schedule 3 (*Reserved Matters*) to the STID.

"**Bondholders**" means the holders from time to time of the Bonds.

"**Bonds**" means the Class A Bonds and/or the Class B Bonds and/or any Sub-Class thereof, as the context may require, and "**Bond**" shall be construed accordingly.

"**Broken Amount**" means the amount specified as such in the relevant Final Terms.

"**Business**" means Appointed Business and Permitted Non-Appointed Business or otherwise as permitted under the Finance Documents.

"**Business Day**" means (other than in any Hedging Agreement, where "**Business Day**" has the meaning given to it in that Hedging Agreement):

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified in the relevant Final Terms;

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the currency in which such financial indebtedness is denominated (which in the case of a payment in US dollars shall be New York) and in each (if any) additional city or cities specified in the relevant Final Terms; and

(c) in relation to the definition of Lease Calculation Date, a day on which commercial banks and foreign exchange markets settle payments generally in London.

"**Business Day Convention**" means either the Following Business Day Convention, Modified Following Business Day Convention or Preceding Business Day Convention, as applicable.

"**Calculation Agency Agreement**" means, in relation to the Bonds of any Class and/or Sub-Class, an agreement in or substantially in the form of Schedule 1 (*Form of Calculation Agency Agreement*) to the Agency Agreement.

"**Calculation Agent**" means, in relation to any Class and/or Sub-Class of Bonds, the person appointed as calculation agent in relation to such Class and/or Sub-Class of Bonds by the Programme Issuer pursuant to the provisions of a Calculation Agency Agreement (or any other agreement) and shall include any successor calculation agent appointed in respect of such Class and/or Sub-Class of Bonds.

"**Calculation Amount**" has the meaning specified in the relevant Final Terms.

"**Calculation Date**" means (other than in any Hedging Agreement, where "**Calculation Date**" has the meaning given to it in that Hedging Agreement) 31 March and 30 September in each year starting on 31 March 2013 or any other calculation date agreed as a result of a change in the financial year end date of any Obligor.

"**Calculation Period**" means, in respect of the calculation of an amount of interest on any Bond, any period of time whether or not constituting an Interest Period.

"**Capital Expenditure**" means Capital Maintenance Expenditure and any expenditure (net of associated grants and contributions) incurred (or, in respect of any future period, forecast to be incurred in the AWL Business Plan) relating to the acquisition of equipment, fixed assets, real property, intangible assets and other assets of a capital nature, or for the replacements or substitutions therefor or additions or improvements thereto, that in any such case have a useful life of more than one year together with costs incurred in connection therewith and provided that such expenditure is incurred in respect of maintenance non-infrastructure, infrastructure renewals expenditure or quality and supply-demand and other service enhancement expenditure.

"**Capital Maintenance Expenditure**" means expenditure (net of associated grants and contributions) incurred (or, in respect of any future period, forecast to be incurred in the AWL Business Plan) on maintaining base service levels in the Appointed Business but excluding any expenditure relating to increases in capacity or enhancement of service levels, quality or security of supply.

"**Capitalised Infrastructure Renewals Expenditure**" means, in relation to a period of time, without double counting to the extent that such items represent expenditure already included in appointed operating expenditure or non-appointed operating expenditure or are included within the determination of RCV Depreciation, the amount of infrastructure renewals expenditure (net of associated grants and contributions) incurred (or, in respect of any future period, forecast to be incurred in the AWL Business Plan).

"**Cash Cover Account**" means any cash cover account set up in accordance with the terms of any other Authorised Credit Facility pursuant to which a letter of credit facility is provided.

"**Cash Expenses**" means the aggregate of all expenses including Capital Expenditure incurred by AWL in any period (excluding depreciation, IRC and interest on Financial Indebtedness).

"**Cash Manager**" means (i) during and after a Standstill Period (except where a Standstill Period is terminated pursuant to clause 16.4.1(c) (*Termination of Standstill*) of the STID), the Standstill Cash Manager, and (ii) at all other times AWL.

"**CCD**" means expenditure designated under the heading 'current cost depreciation' in the financial projections contained in the supplementary report issued by Ofwat detailing the numbers and assumptions specific to AWL in Ofwat's most recent Final Determination adjusted as appropriate for any subsequent interim determination of a price control and for Out-turn Inflation, provided that for the purposes of calculating any financial ratio for any Test Period where there is no Final Determination. The "**CCD**" shall be AWL's good faith estimate of such amount for such Test Period.

"**CCW**" means the Consumer Council for Water.

"**Chargors**" means the Restricted Chargors and the Unrestricted Chargors, and a "**Chargor**" means any of them.

"**Class**" means, in relation to the Bonds, each class of Bonds, the available Classes of Bonds being Class A Bonds and Class B Bonds.

"**Class A Adjusted ICR**" means, in respect of a Test Period, the ratio of Net Cash Flow less the aggregate of CCD and IRC during such Test Period to Class A Debt Interest during such Test Period.

"**Class A Average Adjusted ICR**" means the sum of the ratios of Net Cash Flow less the aggregate of CCD and IRC during such Test Period to Class A Debt Interest for each of the Test Periods comprised in a Rolling Average Period divided by three.

"**Class A Bonds**" means the Class A Bonds issued by the Programme Issuer from time to time under the Programme.

"**Class A Coupons**" means the coupons (if any) appertaining to interest bearing Class A Bonds in bearer form.

"**Class A Creditor**" means a provider of or creditor in respect of Class A Debt.

"**Class A Debt**" means any Financial Indebtedness that is for the purposes of the STID to be treated as Class A Debt and includes:

(a) the Class A Bonds;

(b) the Existing Issuer Bonds;

(c) the Revolving Credit Facilities;

(d) the Authorised Credit Facilities designated in such Authorised Credit Facilities or related Accession Memorandum as Class A Debt;

(e) the Finance Leases (other than the Existing Finance Leases) designated as Class A Debt;

(f) the Class A Hedging Agreements; and

(g) any other Financial Indebtedness designated as Class A Debt in the applicable Finance Document or related Accession Memorandum.

"**Class A Debt Instructing Group**" or "**Class A DIG**" means a group of representatives (each a "**Class A DIG Representative**") of Qualifying Class A Creditors in respect of Qualifying Class A Debt, comprising:

(a) in respect of each Authorised Credit Facility in respect of Class A Debt which is a bilateral agreement (by way of a loan, note certificate or otherwise), the relevant Qualifying Class A Creditor party to such Authorised Credit Facility;

(b) in respect of each Authorised Credit Facility in respect of Class A Debt which is a multi-lateral agreement (other than the Class A Bonds and the Existing Issuer Bonds but including any loan agreement or notes where the lenders or noteholders are represented by an agent), the facility agent (or equivalent agent appointed by all of the Authorised Credit Providers party to such Authorised Credit Facility);

(c) in respect of each Finance Lease designated as Class A Debt, the Finance Lessor party thereto;

(d) in respect of the Class A Bonds, the Bond Trustee; and

(e) in respect of the Existing Issuer Bonds, the Existing Issuer Bond Trustee.

"**Class A Debt Interest**" means, in relation to any Test Period, and in relation to the Obligors without double counting, interest on Financial Indebtedness designated as Class A Debt (including interest accreted by indexation of interest on any Indexed Bonds that are designated as Class A Debt but excluding accretions by indexation to the principal on any Indexed Bonds that are designated as Class A Debt and accretions by indexation to the notional amount under any RPI Linked Hedging Agreement designated as Class A Debt):

plus

(a) Recurring Fees in respect of Financial Indebtedness designated as Class A Debt;

(b) the net cash flow figure under all Interest Rate Hedging Agreements (excluding accretion by indexation to the notional amount) (including, for the avoidance of doubt, whether such figure is positive or negative);

(c) Adjusted Lease Reserve Amounts or Lease Reserve Amounts paid, due but unpaid or, payable (as the case may be) designated as Class A Debt; and

(d) interest in respect of unsecured Financial Indebtedness,

excluding

(i) all fees other than Recurring Fees;

(ii) amortisation of the costs of issue of such Class A Debt,

less

(i) interest received or receivable (as the case may be) by any member of the Financing Group from a third party during such period (excluding any interest received or receivable by an Obligor under any Intra-Group Loan); or

(ii) interest received or receivable (as the case may be) on any loan or other forms of Financial Indebtedness to Affiliates including any interest received or receivable in respect of any Class A Debt held by an Obligor;

provided that in each case in respect of a future Test Period (or part of a Test Period) such amounts shall be based on anticipated amounts as shown in the AWL Business Plan.

"**Class A Debt Liquidity Shortfall**" means with respect to any Payment Date there will be insufficient funds in the Debt Service Payment Account (after the operation of paragraphs 8.3 and 8.6 of Schedule 10 (*Cash Management*) to the CTA) to pay on such Payment Date any of the amounts scheduled to be paid in respect of items (i)-(vi) (inclusive) and, after deducting all payments to be made in priority thereto, item (xviii) of the Payment Priorities (excluding any termination amounts or accretion amounts payable under any Hedging Agreements set out under paragraphs 8.3(vi)(b) and (c) of Schedule 10 (*Cash Management*) to the CTA).

"**Class A Debt Service Reserve Account**" means the accounts of each of the Programme Issuer and the Existing Issuer titled "**Class A Debt Service Reserve Account**" held at the Account Bank and includes any sub-account relating to that account and any replacement from time to time.

"**Class A Hedging Agreement**" means each:

(a) Super-Senior Interest Rate Hedging Agreement;

(b) Super-Senior RPI Linked Hedging Agreement;

(c) Pari Passu Interest Rate Hedging Agreement; and

(d) Currency Hedging Agreement in respect of Class A Debt.

"**Class A ICR**" means the ratio of Net Cash Flow for each Test Period to Class A Debt Interest for each of the same Test Periods.

"**Class A Net Indebtedness**" means, as at any date, the aggregate of the Financing Group's nominal Financial Indebtedness outstanding (or, in respect of a future date, forecast to be outstanding) on such date under and in connection with any Class A Debt:

(a) including:

(i) accretions to the principal of any Indexed Bonds that are designated as Class A Debt and accretions by indexation to the notional amount under any RPI Linked Hedging Agreement; and

(ii) the nominal amount of any Financial Indebtedness pursuant to paragraph (e) of the definition of Permitted Financial Indebtedness; and

(b) excluding any un-crystallised mark to market amount relating to any Hedging Agreement (other than Hedging Agreements having the commercial effect of annuity payments);

and in each case, together with (without double counting) all indexation accrued on any such liabilities which are indexed,

less:

(c) the value of all Authorised Investments and other amounts standing to the credit of any Account (other than any Excluded Accounts and other than an amount equal to the aggregate of any amounts which represent Deferrals of K or Distributions which have been declared but not paid on such date),

provided that, where such debt is denominated other than in Sterling, the nominal amount outstanding will be calculated: (i) in respect of debt with an associated Currency Hedging Agreement, by reference to the applicable hedge rates specified in the relevant Currency Hedging Agreement; or (ii) in respect of debt with no associated Currency Hedging Agreement, by reference to the Exchange Rate on such date.

"**Class A RAR**" means, on any Calculation Date, the ratio of Class A Net Indebtedness to RCV at such Calculation Date or, in the case of any forward-looking ratios for Test Periods ending after such Calculation Date, as at the 31 March falling in such Test Period.

"**Class A Receipts**" means instalment receipts in relation to Class A Bonds.

"**Class A Required Balance**" means:

(a) if the Senior RAR as calculated at the most recently occurring Calculation Date for each Test Period is equal to or less than 67.5 per cent., zero; and

(b) if the Senior RAR as calculated at the most recently occurring Calculation Date for any Test Period is greater than 67.5 per cent., an amount equal to the next 12 months' interest (including Lease Reserve Amounts and Adjusted Lease Reserve Amounts) and other finance charges (falling within the definition of Class A Debt Interest) forecast to be due on the Class A Debt of the Financing Group after taking into account when determining the relevant interest charge the anticipated real flow receipts under any Hedging Agreement then in place in respect of such Class A Debt.

"**Class A Talons**" means talons in relation to Class A Coupons or Class A Receipts.

"**Class B Bonds**" means the Class B Bonds issued by the Programme Issuer under the Programme.

"**Class B Creditor**" means a provider of or a creditor in respect of Class B Debt.

"**Class B Coupons**" means the coupons (if any) appertaining to interest bearing Class B Bonds in bearer form.

"**Class B Debt**" means any Financial Indebtedness that is, for the purposes of the STID, to be treated as Class B Debt and includes:

(a) the Class B Bonds;

(b) the Authorised Credit Facilities designated as Class B Debt in such Authorised Credit Facilities or related Accession Memorandum;

(c) the Finance Leases (other than the Existing Finance Leases) designated as Class B Debt;

(d) the Class B Hedging Agreements; and

(e) any other Financial Indebtedness designated as Class B Debt in the applicable Finance Document or related Accession Memorandum.

"**Class B Debt Instructing Group**" or "**Class B DIG**" means a group of representatives (each a "**Class B DIG Representative**") of Qualifying Class B Creditors in respect of Qualifying Class B Debt, comprising:

(a) in respect of each Authorised Credit Facility in respect of Class B Debt which is a bilateral agreement (by way of a loan, note certificate or otherwise), the relevant Qualifying Class B Creditors party to such Authorised Credit Facility;

(b) in respect of each Authorised Credit Facility in respect of Class B Debt which is a multi-lateral agreement (other than Class B Bonds but including any loan agreement or notes where the lenders or noteholders are represented by an agent), the facility agent (or equivalent agent appointed by all of the Authorised Credit Providers party to such Authorised Credit Facility);

(c) in respect of each Finance Lease designated as Class B Debt, the Finance Lessor party thereto; and

(d) in respect of the Class B Bonds, the Bond Trustee.

"**Class B Debt Liquidity Shortfall**" means with respect to any Payment Date there will be insufficient funds in the Debt Service Payment Account to pay on such Payment Date any of the amounts scheduled to be paid in respect of item (xi) and, after deducting any payments to be made in priority thereto, item (xix) of the Payment Priorities (excluding any termination amounts or accretion amounts payable under any Hedging Agreements pursuant to paragraph 8.3(xi)(b) of Schedule 10 (*Cash management*) to the CTA).

"**Class B Debt Service Reserve Account**" means any account of the Programme Issuer titled "**Class B Debt Service Reserve Account**" held at the Account Bank and includes any sub-account relating to that account and any replacement from time to time.

"**Class B Hedging Agreement**" means each Currency Hedging Agreement in respect of Class B Debt.

"**Class B Required Balance**" means, on any Payment Date, an amount equal to the next 12 months' interest (including Lease Reserve Amounts and Adjusted Lease Reserve Amounts) and other finance charges (falling within the definition of Senior Debt Interest and relating to Class B Debt) forecast to be due on the Class B Debt of the Financing Group after taking into account when determining the relevant interest charge the anticipated real flow receipts under any Hedging Agreement then in place in respect of such Class B Debt.

"**Class B Receipts**" means instalment receipts in relation to Class B Bonds.

"**Class B Talons**" means talons in relation to Class B Coupons and Class B Receipts.

"**Clearing System Business Day**" means Monday to Friday inclusive, except 25 December and 1 January.

"**CMA**" means the UK Competition and Markets Authority.

"**common carriage**" means the method of introducing competition when a water supply licensee introduces water into the supply system and supplies water to its customer's eligible premises using a Regulated Company's network.

"**Common Documents**" means the Security Documents, the Common Terms Agreement, the Master Definitions Agreement, the Account Bank Agreement and the Tax Deed of Covenant.

"**Common Terms Agreement**" or "**CTA**" means the common terms agreement entered into on the Initial Issue Date as amended and restated from time to time between the parties to the agreement.

"**Companies Act**" means the Companies Act 2006.

"**Compliance Certificate**" means a certificate, substantially in the form of Schedule 8 (*Form of Compliance Certificate*) to the CTA in which the Transaction Agent, on behalf of each of the Programme Issuer, the Existing Issuer and AWL, periodically, provides certain financial statements to the Security Trustee and each Rating Agency as required by the CTA.

"**Conditions**" means the terms and conditions of the Bonds set out in the Bond Trust Deed as may from time to time be amended, modified, varied or supplemented in the manner permitted under the STID.

"**Conformed Class A Adjusted ICR**" means, in respect of a Test Period, the ratio of:

(i) Net Cash Flow less the aggregate of RCV Depreciation and Capitalised Infrastructure Renewals Expenditure during such Test Period,

to

(ii) Class A Debt Interest during such Test Period.

"**Conformed Class A Average Adjusted ICR**" means the sum of:

(i) the ratios of:

(a) Net Cash Flow less the aggregate of RCV Depreciation and Capitalised Infrastructure Renewals Expenditure during such Test Period,

to

(b) Class A Debt Interest,

for each of the Test Periods comprised in a Rolling Average Period,

(ii) divided by three.

"**Conformed Senior Adjusted ICR**" means, in respect of a Test Period, the ratio of:

(i) Net Cash Flow less the aggregate of RCV Depreciation and Capitalised Infrastructure Renewals Expenditure during such Test Period,

to

(ii) Senior Debt Interest during such Test Period.

"**Conformed Senior Average Adjusted ICR**" means the sum of:

(i) the ratios of:

(a) Net Cash Flow less the aggregate of RCV Depreciation and Capitalised Infrastructure Renewals Expenditure,

to

(b) Senior Debt Interest,

for each of the Test Periods comprised in a Rolling Average Period,

(ii) divided by three.

"**Consortium of Equity Owners**" means a consortium of Allianz Infrastructure Holding I Pte. Limited, DIF Tamblin Limited, HICL Infrastructure plc (and co-investors, advised by InfraRed Capital Partners) and a small group of co-investors .

"**Consumer Prices Index**" or "**CPI**" means the all items consumer prices index for the United Kingdom published by the Office for National Statistics (January 2015 = 100) or at any future date (except in the case of a CPI-linked Hedging Agreement) such other index of retail prices as may have then replaced it for the purposes of Ofwat's determination of price limits for water and sewerage services or (in the case of a CPI-linked), such other index of retail prices as specified in such CPI-linked Hedging Agreement.

"**Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax**" or "**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 at any future date (except in the case of a CPIH-linked Hedging Agreement) such other index of retail prices as may have then replaced it for the purposes of Ofwat's determination of price limits for water and sewerage services or (in the case of a CPIH-linked Hedging Agreement), such other index of retail prices as specified in such CPIH-linked Hedging Agreement.

"**Contractor**" means any person (being either a single entity, consortium or joint venture) that is a counterparty to an Outsourcing Agreement.

"**Control**" of one person by another person means (other than in the Tax Deed of Covenant where it has the meaning defined therein) that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise and whether acting alone or in concert with another or others) has the power to appoint and/or remove the majority of the members of the governing body of that person or otherwise controls or has the power to control the affairs and policies of that person (and references to "**Controlled**" and "**Controlling**" shall be construed accordingly).

"**Coupon**" means an interest coupon appertaining to a Definitive Bond (other than a Zero Coupon Bond), such coupon being:

(i) if appertaining to a Fixed Rate Bond, a Floating Rate Bond or an Indexed Bond, in the form or substantially in the form set out in Part E (*Form of Coupon*) of Schedule 2 (*Forms of Global and Definitive Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed or in such other form, having regard to the terms of issue of the Bonds of the relevant Sub-Class, as may be agreed between the Programme Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s); or

(ii) if appertaining to a Definitive Bond which is neither a Fixed Rate Bond nor a Floating Rate Bond nor an Indexed Bond, in such form as may be agreed between the Programme Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s),

and includes, where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 14 (*Replacement of Bonds, Coupons, Receipts and Talons*).

"**Couponholders**" means the several persons who are for the time being holders of the Coupons and includes, where applicable, the Talonholders.

"**Court**" or "**High Court**" means the High Court of England and Wales.

"**Covenantors**" means AWAHL and the Parent.

"**CP Agreement**" means the conditions precedent agreement, dated on the Initial Issue Date between, among others, the Bond Trustee, the Security Trustee and the Obligors.

"**Currency Hedging Agreement**" means any Hedging Agreement with a Hedging Counterparty in respect of one or more Hedging Transactions to hedge against exposure to currency exchange rates.

"**Date Prior**" means, at any time, the date which is one day before the next Periodic Review Effective Date.

"**Day Count Fraction**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**Dealers**" means Barclays Bank PLC, Lloyds Bank Corporate Markets plc, National Australia Bank Limited (ABN 12 004 044 937), RBC Europe Limited and NatWest Markets Plc together with any other entity which the Programme Issuer and the other Obligors may appoint as a Dealer and notice of whose appointment has been given to the Principal Paying Agent and the Bond Trustee by the Programme Issuer

in accordance with the provisions of the Dealership Agreement and references to a "**relevant Dealer**" or the "**relevant Dealer(s)**" mean, in relation to any Tranche of Bonds, the Dealer or Dealers with whom the Programme Issuer has agreed the issue of the Bonds of such Tranche and "**Dealer**" means any one of them.

"**Dealership Agreement**" means the agreement dated 18 January 2013 (as amended from time to time) between the Programme Issuer, the other Obligors, the Arranger and the Dealers named therein (or deemed named therein) concerning the purchase of Bonds to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto.

"**Debt Service Payment Account**" means the account of AWL entitled the "Debt Service Payment Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time.

"**Debt Service Reserve Account**" means each of the Class A Debt Service Reserve Accounts and the Class B Debt Service Reserve Account.

"**Decision Period**" has the meaning given to it in the STID.

"**Deed of Variation**" means the deed of variation entered into on the Initial Issue Date by the Obligors and the Existing Issuer Bond Trustee in respect of the Existing Issuer Bonds.

"**Default**" means:

(a) an Event of Default;

(b) a Trigger Event; or

(c) a Potential Event of Default.

"**Default Situation**" means any period during which there subsists an Event of Default.

"**Deferral of K**" means, in respect of any Financial Year, an amount equal to the difference between the total revenue that is projected by AWL to be raised during such Financial Year on the basis of the announced charges and the revenue that would have accrued if AWL had established prices at the full price cap available to it under the Instrument of Appointment.

"**Definitive Bond**" means a Bearer Bond in definitive form issued or, as the case may require, to be issued by the Programme Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the Programme Issuer and the relevant Dealer(s), the Agency Agreement and the Bond Trust Deed in exchange for either a Temporary Global Bond or part thereof or a Permanent Global Bond (all as indicated in the applicable Final Terms), such Bearer Bond in definitive form being in the form or substantially in the form set out in Part C (*Form of Definitive Bond*) of Schedule 2 (*Forms of Global and Definitive Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed and having the Conditions endorsed thereon and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a Zero Coupon Bond in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue.

"**Definitive Registered Bond**" means Registered Bond in definitive form representing Bonds in registered form.

"**DEFRA**" means the United Kingdom Department for the Environment, Food and Rural Affairs.

"**Determination Date**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**Determination Period**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**DETR**" means the Department of the Environment, Transport and the Regions which had responsibility for the Environment prior to DEFRA.

"**DIG Representative**" means each Class A DIG Representative and each Class B DIG Representative.

"**Direction Notice**" means, in respect of any matter which is not the subject of a STID Proposal or an Instruction Notice, a request made by the Security Trustee for an instruction from the Qualifying Secured Creditors as to whether the Security Trustee should agree to a consent, waiver or modification or exercise a right or discretion pursuant to the Finance Documents and the manner in which it should do so.

"**Directors**" means the board of directors for the time being of the relevant Obligor.

"**Discharge Date**" means the date on which all obligations of the Obligors under the Finance Documents have been irrevocably satisfied in full and no further obligations are capable of arising under the Finance Documents.

"**Discretion Matter**" shall have the meaning given to it in the STID.

"**Distribution**" means any payments (including any payments of distributions, dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever) (by way of loan or repayment of any loan or otherwise) (in cash or in kind) to any Associate other than:

(a) payments made to such persons pursuant to arrangements entered into for the provision of management and know-how services and which are entered into on *bona fide* arm's length terms in the ordinary and usual course of trading (including pursuant to a Management Services Agreement and pursuant to any agreement made or to be made between AWL or any other member of the Financing Group in relation to the provision of financial, operational or corporate advisory services) to the extent that the aggregate of all such payments does not exceed 0.1 per cent. of RCV in any consecutive twelve month period; or

(b) any payments made to such persons pursuant to any Outsourcing Agreements which were entered into and remain in compliance with paragraph 25 (*Outsourcing Policy*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the Common Terms Agreement save that if any Outsourcing Agreement should cease to comply in all material respects with such covenant, all payments thereunder made by AWL shall only be made as Distributions where such non-compliance has remained unremedied for a period in excess of 365 days from the date on which AWL became aware of such non-compliance; or

(c) payments made to such persons pursuant to arrangements entered into on terms that are not bona fide and arm's length in the ordinary and usual course of trading to the extent that the aggregate of all such payments does not exceed 0.1 per cent. of RCV in any consecutive twelve month period; or

(d) any payments made to such persons in respect of a Permitted Post Closing Event; or

(e) payments made in respect of any Permitted Legacy Payment.

"**dollars**" means the lawful currency of the United States of America.

"**DSR Liquidity Facility**" means a debt service reserve liquidity facility made available under a DSR Liquidity Facility Agreement.

"**DSR Liquidity Facility Agreement**" means any agreement establishing a DSR Liquidity Facility.

"**DSR Liquidity Facility Provider**" means a lender from time to time under a DSR Liquidity Facility.

"**DWI**" means Drinking Water Inspectorate.

"**EA**" means the Environment Agency, the executive non-departmental public body in England responsible to the Secretary of State for the Environment, Food and Rural Affairs and Natural Resources Wales, a Welsh Government Sponsored Body which took over the functions of the Environment Agency Wales in 2013.

"**Early Redemption Amount**" has the meaning, in relation to a Class and/or Sub-Class of Bonds, given to such term in the Conditions relating to such Class and/or Sub-Class of Bonds.

"**Emergency**" means the disruption of the normal service of the provision of water services which is treated as an emergency under AWL's policies, standards and procedures for emergency planning manual.

"**Enhanced Rights Matter**" shall have the meaning given to it in the STID.

"**Enforcement Action**" means any step (other than the exercise of any rights of inspection of any asset or other immaterial actions taken under any Finance Lease) that a Secured Creditor is entitled to take to enforce its rights against an Obligor under a Finance Document following the occurrence of an Event of Default including the declaration of an Event of Default, the institution of proceedings, the making of a demand for payment under a Guarantee, the making of a demand for cash collateral under a Guarantee or the Acceleration of Liabilities (other than a Permitted Lease Termination or a Permitted Hedging Termination or the cancellation following an Event of Default of any remaining commitments under an Authorised Credit Facility in full or, as the case may be, an acceleration by a Secured Creditor or Secured Creditors pursuant to the terms of the applicable Finance Documents).

"**Enforcement Order**" means an enforcement order, a final enforcement order or a provisional enforcement order, each as referred to and defined in the WIA.

"**Entrenched Rights**" means the rights of the Secured Creditors provided by Schedule 2 (*Entrenched Rights*) to the STID.

"**Entrenched Rights Matter**" means the rights of the Class A Creditors, Class B Creditors, Finance Lessors, Security Trustee and Hedging Counterparties provided by the terms of Clause 8.13 (*Procedure for Entrenched Rights Matters*) of the STID and Schedule 2 (*Entrenched Rights*) of the STID.

"**Enterprise Act**" means the Enterprise Act 2002.

"**Environmental Approvals**" shall, in either case where used, mean any permit, licence, consent, approval or other authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of the Business conducted on or from the properties owned or used by AWL.

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by the relevant duly appointed person pursuant to any Environmental Law.

"**Environmental Law**" means any applicable law (including DETR Circular 02/2000) in force in any jurisdiction in which AWL or any of its Subsidiaries or any Joint Venture in which it has an interest conducts business which relates to the pollution or protection of the environment or harm to or the protection of human health or the health of animals or plants.

"**Equipment**" means, in relation to a Finance Lease or an Existing Finance Lease, any items of equipment, plant and/or machinery, system, asset, software licence, Intellectual Property Right, software and any other item leased under that Finance Lease.

"**Equivalent Amount**" means the amount in question expressed in the terms of the Base Currency, calculated on the basis of the Exchange Rate.

"**ESMA**" means European Securities and Market Association.

"**EU**" means the European Union.

"**EU CRA Regulation**" means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

"**Euro**", "**euro**" or "**€**" means the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, from time to time.

"**Eurobond Basis**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**Event of Default**" means (other than in any Hedging Agreement when used in relation to a Hedging Counterparty, where "**Event of Default**" has the meaning given to it in that Hedging Agreement) an event specified as such in Schedule 6 (*Events of Default*) to the CTA.

"**Excess Funds**" means amounts standing to the credit of the Debt Service Payment Account at the end of any Test Period.

"**Exchange Rate**" means the spot rate at which the Non-Base Currency is converted to the Base Currency as quoted by the Agent Bank as at 11.00 a.m.:

(a) for the purposes of clause 8.6 (*Procedure for Voting Matters - STID Voting Request*) of the STID on the date that the STID Voting Request is dated; or

(b) in any other case, on the date as of which calculation of the Equivalent Amount of the Outstanding Principal Amount or the Principal Amount Outstanding is required,

and in each case, as notified by the Agent Bank to the Security Trustee.

"**Excluded Accounts**" means:

(a) the O&M Reserve Accounts, to the extent that the balance standing to the credit of such accounts is attributable to a Standby Drawing under the relevant O&M Reserve Facility;

(b) the Debt Service Reserve Accounts, to the extent that the balance standing to the credit of such accounts is attributable to a Standby Drawing under the relevant DSR Liquidity Facility;

(c) each Cash Cover Account; and

(d) each Swap Collateral Account.

"**Existing Authorised Credit Facilities**" means the credit facilities provided by the Existing Authorised Credit Providers.

"**Existing Authorised Credit Providers**" means the Revolving Credit Facility Providers.

"**Existing Dormant Subsidiaries**" means:

(a) Three Valleys Water Limited;

(b) Tendring Hundred Water Services Limited;

(c) Folkestone and Dover Water Services Limited; and

(d) White Cliffs Water Limited,

being wholly-owned dormant subsidiaries of AWL on the Initial Issue Date.

"**Existing Finance Leases**" means the finance leases existing at the date hereof between AWL and certain counterparties, as will be further defined in the MDA, each as amended, supplemented, assigned and novated prior to the Initial Issue Date, and each an "**Existing Finance Lease**".

"**Existing Finance Lessors**" means each counterparty to an Existing Finance Lease.

"**Existing Hedging Counterparties**" means each of HSBC Bank plc, Lloyds Bank Corporate Markets plc, National Australia Bank Limited (ABN 12 004 044 937), Royal Bank of Canada, NatWest Markets Plc, BNP Paribas, Banco Santander, S.A., Barclays Bank PLC and Nomura International plc.

"**Existing Hedging Agreements**" means an ISDA Master and Schedule attached thereto between AWL and each of the Existing Hedging Counterparties dated on the Initial Issue Date, as supplemented by the confirmations novated to AWL pursuant to each respective Novation Agreement.

"**Existing Hedging Transaction**" means each Hedging Transaction novated to AWL on the Initial Issue Date pursuant to each respective Novation Agreement.

"**Existing Issuer**" means Affinity Water Finance (2004) plc, a company incorporated with limited liability in England and Wales, registered number 05139236.

"**Existing Issuer/AWL Loan Agreement**" means any loan agreement entered into between the Existing Issuer (as lender) and AWL (as borrower).

"**Existing Issuer Bond Trust Deed**" means the trust deed in respect of the Existing Issuer Bonds between the Existing Issuer, AWL and the Existing Issuer Bond Trustee dated 13 July 2004 as amended and supplemented from time to time.

"**Existing Issuer Bond Trustee**" means Citicorp Trustee Company Limited or any successor trustee appointed in accordance with the Existing Issuer Bond Trust Deed and who has acceded to the STID.

"**Existing Issuer Bond Trustee Reserved Matters**" means those matters set out in Part C, Part 2 (*Existing Issuer Bond Trustee Reserved Matters*) of Schedule 3 (*Reserved Matters*) to the STID.

"**Existing Issuer Bondholders**" means the holders from time to time of the Existing Issuer Bonds.

"**Existing Issuer Bonds**" means the £200,000,000 5.875 per cent. guaranteed bonds due 2026 issued by the Existing Issuer and guaranteed by AWL, together with the further £50,000,000 5.875 per cent. guaranteed bonds due 2026 issued by the Existing Issuer and guaranteed by AWL on 16 July 2014, and includes, where the context permits, the coupons in respect of those bonds.

"**Existing Issuer DSR Proportion**" means a proportion of the Class A Required Balance attributable to the Existing Issuer in such proportion as AWL shall reasonably determine.

"**Extension Period**" has the meaning given to it in the STID.

"**Extraordinary Resolution**" has the meaning, in relation to the Bonds, set out in Paragraph 19 of Part A (*Provisions for Meetings of Bondholders*) of Schedule 4 (*Meeting and Voting Provisions*) to the Bond Trust Deed, and in relation to the Existing Issuer Bonds, set out in Paragraph 1 of Schedule 3 (*Provisions for Meetings of Noteholders*) to the Existing Issuer Bond Trust Deed (as the context requires).

"**Facility Agent**" means any facility agent under any Authorised Credit Facility.

"**Final Determination**" means the final price determination made by Ofwat in connection with a Periodic Review.

"**Final Terms**" means the final terms issued in relation to each Class and/or Sub-Class or Tranche of Bonds as a supplement to the Conditions and giving details of the Class and/or Sub-Class or Tranche.

"**Finance Documents**" means:

(a) the Security Documents;

(b) the Bond Trust Deed;

(c) the Existing Issuer Bond Trust Deed;

(d) the Bonds (including the applicable Final Terms, as applicable);

(e) the Existing Issuer Bonds (including the applicable final terms);

(f) the Finance Lease Documents;

(g) the Hedging Agreements (including the Existing Hedging Agreements) and any other credit support or collateral documentation entered into in connection therewith or pursuant thereto;

(h) the CTA;

(i) the Programme Issuer/AWL Loan Agreements;

(j) the Existing Issuer/AWL Loan Agreements;

(k) each Liquidity Facility Agreement;

(l) the Agency Agreement;

(m) the Master Definitions Agreement;

(n) the Master Implementation Deed;

(o) the Account Bank Agreement;

(p) the CP Agreement;

(q) the Tax Deed of Covenant;

(r) the Deed of Variation;

(s) any other Authorised Credit Facilities; and

(t) each agreement or other instrument between the Programme Issuer, AWL or the Existing Issuer (as applicable) and an Additional Secured Creditor designated as a Finance Document by the Transaction Agent, the Security Trustee and such Additional Secured Creditor in the Accession Memorandum for such Additional Secured Creditor.

"**Finance Lease Documents**" means each Finance Lease together with any related or ancillary documentation.

"**Finance Leases**" means any finance lease entered into by AWL after the Initial Issue Date in respect of plant, machinery, software, computer systems or equipment (the counterparty to which has acceded to the terms of the STID and the CTA permitted to be entered into under the terms of the CTA) (each a "**Finance Lease**").

"**Finance Lessors**" means any person entering into a Finance Lease with AWL after the Initial Issue Date, as permitted by the CTA and the STID, who accedes to the STID and the CTA as a Finance Lessor (each a "**Finance Lessor**").

"**Finance Party**" means any person providing financial accommodation pursuant to an Authorised Credit Facility (including any Issuing Bank) including all arrangers, agents and trustees appointed in connection with any such Authorised Credit Facility.

"Financial Conduct Authority" or **"FCA"** means the Financial Conduct Authority.

"**Financial Indebtedness**" means (without double-counting) any indebtedness for or in respect of:

(a) moneys borrowed or raised (whether or not for cash);

(b) any documentary or standby letter of credit facility;

(c) any acceptance credit;

(d) any bond, note, debenture, loan stock or other similar instrument;

(e) any finance or capital lease or hire purchase contract which would, in accordance with Applicable Accounting Principles, be treated as such, provided that: (i) such finance lease, capital lease or hire purchase contract is documented by an agreement which gives rise, or purports to give rise, to a legal right of a creditor to claim money or moneys worth from a debtor (and shall not include any deemed liabilities which arise as a result of Applicable Accounting Principles without connection to such a legal right); and (ii) the Grafham Water Arrangement and the Ardleigh Arrangement shall not be treated as finance leases, capital leases or hire purchase contracts;

(f) any amount raised pursuant to any issue of shares which are capable of redemption;

(g) receivables sold or discounted (other than on a non-recourse basis);

(h) the amount of any liability in respect of any advance or deferred purchase agreement if either one of the primary reasons for entering into such agreement is to raise finance or the relevant payment is advanced or deferred for a period in excess of 120 days (excluding, for the avoidance of doubt, the Grafham Water Arrangement and the Ardleigh Arrangement);

(i) any termination amount due and unpaid from any member of the Financing Group in respect of any Treasury Transaction that has terminated;

(j) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing (other than any trade credit or indemnity granted in the ordinary course of AWL's trading and upon terms usual for such trade) (excluding, for the avoidance of doubt, the Grafham Water Arrangement and the Ardleigh Arrangement);

(k) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; or

(l) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (k) above (other than any guarantee or indemnity in respect of obligations owed by one member of the Financing Group to another),

excluding the Permitted Legacy Loan.

"**Financial Ratio**" means each of:

(a) the Class A RAR;

(b) the Senior RAR;

(c) the Class A Adjusted ICR;

(d) the Senior Adjusted ICR;

(e) the Class A Average Adjusted ICR;

(f) the Senior Average Adjusted ICR;

(g) the Conformed Class A Adjusted ICR;

(h) the Conformed Senior Adjusted ICR;

(i) the Conformed Class A Average Adjusted ICR; and

(j) the Conformed Senior Average Adjusted ICR.

"**Financial Statements**" means, at any time, the most recent financial statements (excluding, for the avoidance of doubt, regulatory accounts) of an Obligor, consolidated where applicable, most recently delivered to the Security Trustee.

"**Financial Year**" means the 12 months ending on 31 March in each year or such other period as may be approved by the Security Trustee.

"**Financing Group**" means AWHL, AWL, the Programme Issuer, the Existing Issuer and any other Permitted Subsidiaries.

"**Fitch**" means Fitch Ratings Limited (but references to Fitch in the Finance Documents shall be disregarded until such time as the Transaction Agent exercises the Fitch Appointment Right).

"**Fixed Coupon Amount**" means the amount specified as such in the relevant Final Terms.

"**Fitch Appointment Right**" means the right of the Transaction Agent (in its absolute discretion and without reference to the Security Trustee or any Secured Creditor) to appoint Fitch to rate any of the Bonds and the Existing Issuer Bonds from time to time.

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

"**Fixed Rate Bond**" means a Bond on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in each year and on redemption or on such other dates as may be agreed between the Programme Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

"**Floating Rate Bond**" means a Bond on which interest is calculated at a floating rate payable in arrear in respect of such period or on such date(s) as may be agreed between the Programme Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

"**Following Business Day Convention**" has the meaning given to it in Condition 6(f) (*Business Day Convention*).

"**Form of Transfer**" means the form of transfer endorsed on an Individual Bond Certificate in the form or substantially in the form set out in Part A (*Form of Global Bond Certificate*) and Part B (*Form of Individual Bond Certificate*) of Schedule 3 (*Forms of Global and Individual Bond Certificates*) to the Bond Trust Deed.

"**FRS 101**" means the FRS 101 Reduced Disclosure Framework issued by the Financial Reporting Council.

"**FSMA**" means the Financial Services and Markets Act 2000.

"**Global Bond**" means a Temporary Global Bond and/or a Permanent Global Bond, as the context may require.

"**Global Bond Certificate**" means a Registered Bond in global form in the form or substantially in the form set out in Part A (*Form of Global Bond Certificate*) of Schedule 3 (*Forms of Global and Individual Bond Certificates*) to the Bond Trust Deed, together with such modifications (if any) as may be agreed between the Programme Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), together with the copy of each applicable Final Terms annexed thereto, comprising some or all of the Registered Bonds of the same Sub-Class sold outside the United States or to non-U.S. persons in reliance on Regulation S under the Securities Act, issued by the Programme Issuer pursuant to the Dealership Agreement or any other agreement between the Programme Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed.

"**Good Industry Practice**" means the standards, practices, methods and procedures as practised in the United Kingdom conforming to all applicable laws and the degree of skill, diligence, prudence and foresight which would reasonably be expected from a skilled and experienced person undertaking all or part of the Business, as the case may be, under the same or similar circumstances as those applying to AWL having regard to the regulatory pricing allowances and practice in England and Wales' regulated water industry at the relevant time.

"**Grafham Water Arrangement**" means the statutory entitlement (pursuant to the Great Ouse Water Act 1961), held by AWL to take water from the Grafham Water reservoir owned by Anglian Water Services Limited which includes a cost sharing arrangement pursuant to which costs are allocated between AWL and Anglian Water Services Limited using a financial model which has been agreed between AWL and Anglian Water Services Limited and any related arrangement concerning the allocation of costs or drawing of water in respect of Grafham Water.

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

"**Guarantors**" means AWHL, AWL, the Programme Issuer and the Existing Issuer in their capacity as Guarantors pursuant to the Security Agreement together with any other entity which accedes to the Security Agreement as a Chargor in accordance with clause 22.3 (*Further Subsidiaries*) thereof, each in their capacity as a "**Guarantor**".

"**Hedging Counterparties**" means: (i) the Existing Hedging Counterparties; and (ii) any counterparty to a Hedging Agreement which is or becomes party to the STID in accordance with the STID and "**Hedging Counterparty**" means any of such parties.

"**Hedging Counterparty Reserved Matters**" means those matters set out in Part D (*Hedging Counterparty Reserved Matters*) of Schedule 3 (*Reserved Matters*) to the STID.

"**Hedging Agreement**" means any ISDA Master Agreement (including the Schedule and the Credit Support Annex thereto, and any Treasury Transactions thereunder) entered or to be entered into by the Programme Issuer and/or the Existing Issuer and/or AWL with Hedging Counterparties in accordance with the Hedging Policy, the counterparties to which have acceded to the terms of the STID and the CTA and agreed to be bound by the terms of Schedule 7 (*Hedging Policy*) to the CTA which will mandate the form of the Hedging Agreement and certain mandatory provisions and references to "**Hedging Agreements**" shall be construed accordingly.

"**Hedging Transaction**" means any Treasury Transaction evidenced by a confirmation entered or to be entered into pursuant to a Hedging Agreement by the Programme Issuer and/or the Existing Issuer and/or AWL with a Hedging Counterparty in accordance with the Hedging Policy, and references to "**Hedging Transactions**" shall be construed accordingly.

"**Hedging Policy**" means the initial hedging policy applicable to AWL, the Programme Issuer and the Existing Issuer set out in Schedule 7 (*Hedging Policy*) to the CTA as such hedging policy may be, subject to Part E (*Entrenched Right of the Hedging Counterparties*) of Schedule 2 (*Entrenched Rights*) to the STID, amended from time to time by an agreement between the Security Trustee, AWL, the Programme Issuer, the Existing Issuer and, in certain circumstances, the Hedging Counterparties, in accordance with the STID.

"**Holding Company**" means a holding company within the meaning of section 1160 of the Companies Act 2006.

"**ICMA Principles** " means any market standards or guidance, including green, sustainable or social bond principles or other similar principles or guidance published by ICMA.

"**IFRS**" means the International Financial Reporting Standards.

"**Income**" means any interest, dividends or other income arising from or in respect of an Authorised Investment.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise selected and appointed by the Programme Issuer at its own cost under Condition 6(b)(iii)(A) (*Independent Adviser*).

"**Independent Enforcement Action**" means any enforcement action as a result of any breach by any Secured Creditor of any of the provisions set out in clause 14.1 (*Undertakings of Secured Creditors*) of the STID.

"**Independent Review**" means an independent review resulting from a Trigger Event as set out in Paragraph 3 (*Further information and Remedial Plan*) of Part 2 (*Trigger Event Consequences*) of Schedule 5 (*Trigger Events*) to the CTA.

"**Indexation Adviser**" an independent financial institution of international repute or an independent financial adviser with appropriate expertise selected and appointed by the Programme Issuer at its own cost in order to provide information in respect of indexation.

"**Indexed Bond**" means a bond in respect of which the amount payable in respect of principal and interest is calculated by reference to an index and/or formula as the Programme Issuer and the relevant Dealer(s) may agree (as indicated in the relevant Final Terms).

"**Index Event**" has the meaning given to it in Condition 8(e) (*Redemption for Index Events*).

"**Index Figure applicable**" has the meaning given to it in Condition 7(a) (*Definitions (RPI)*).

"**Index Ratio**" has the meaning given to it in Condition 7(a) (*Definitions (RPI)*).

"**Individual Bond Certificate**" means a Registered Bond in definitive form issued or, as the case may require, to be issued by the Programme Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the Programme Issuer and the relevant Dealer(s), the Agency

Agreement and the Bond Trust Deed, such Registered Bond in definitive form being in the form or substantially in the form set out in Part B (*Form of Individual Bond Certificate*) of Schedule 3 (*Forms of Global and Individual Bond Certificates*) to the Bond Trust Deed having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon.

"**Information Memorandum**" means (a) any information memorandum or prospectus prepared by or on behalf of, and approved by, the Programme Issuer and each of the other Obligors in connection with the establishment of the Programme and/or the issue of the Bonds; or (b) any information memorandum or prospectus prepared by or on behalf of and approved by the Programme Issuer and each of the other Obligors in connection with the general syndication in the interbank market of any Authorised Credit Facility, as applicable.

"**Initial Date Representation**" means:

(a) in respect of the issue of any Class and/or Sub-Class or Tranche of Bonds after the Initial Issue Date, each representation set out in Schedule 2 (*General Representations*) to the CTA and Schedule 3 (*AWL Representations*) to the CTA other than Paragraph 5 (*No Default or Potential Trigger Event*), Paragraph 26(b) (*Financial Indebtedness*) and Paragraph 28 (*Treasury Transactions*) of Schedule 2 (*General Representations*) to the CTA; and

(b) in respect of the entering into of a new Authorised Credit Facility after the Initial Issue Date, each of those representations in Schedule 2 (*General Representations*) to the CTA and Schedule 3 (*AWL Representations*) to the CTA other than Paragraph 26(b) (*Financial Indebtedness*), Paragraph 28 (*Treasury Transactions*), Paragraph 30 (*Bonds and Existing Issuer Bonds valid and binding*) and Paragraph 31 (*Status of Bonds and Existing Issuer Bonds*) of Schedule 2 (*General Representations*),

provided that in respect of paragraphs (a) and (b) above:

(A) the representations contained in Paragraph 6 (*Validity and admissibility in evidence*), Paragraph 7 (*Authorisations*), Paragraph 11 (*No deduction or withholding*), Paragraph 21 (*Full Disclosure*), Paragraph 23 (*Choice of Law*), Paragraph 30 (*Bonds and Existing Issuer Bonds valid and binding*) and Paragraph 31 (*Status of Bonds and Existing Issuer Bonds*) of Schedule 2 (*General Representations*) to the CTA shall be limited and refer only to the new Tranche of Bonds or the new Authorised Credit Facility (as the case may be) and the relevant Issue Date in respect thereof; and

(B) the representations contained in Paragraph 2 (*Assumptions*) of Schedule 3 (*AWL Representations*) to the CTA shall be limited to any Investor Report or Compliance Certificate provided by AWL with such Information Memorandum referred to in paragraph (b) of the definition thereof above prepared in respect of such Tranche of Bonds or such Authorised Credit Facility (as the case may be).

"**Initial Existing Issuer/AWL Loan Agreement**" means the loan agreement entered into between the Existing Issuer and AWL on the Initial Issue Date.

"**Initial Issue Date**" means 4 February 2013, being the date of issue of the first Class and/or Sub-Class of Bonds under the Programme.

"**Insolvency Act**" means the Insolvency Act 1986.

"**Insolvency Event**" means, in respect of any company:

(a) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition or application for the making of an administration order (other than in the case of the Programme Issuer, or the Existing Issuer, by the Security Trustee) and, in the opinion of the Security Trustee, such proceedings are not being disputed in good faith with a reasonable prospect of success;

(b) the giving of notice of appointment of an administrator or the making of an administration order or an administrator being appointed in relation to such company;

(c) an encumbrancer (excluding, in relation to the Programme Issuer or the Existing Issuer, the Security Trustee or any receiver appointed by the Security Trustee) taking possession of the whole or any part of the undertaking or assets of such company;

(d) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any substantial part of the undertaking or assets of such company (excluding, in relation to the Programme Issuer or the Existing Issuer by the Security Trustee or any receiver appointed by the Security Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days;

(e) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally;

(f) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company (except, in the case of the Programme Issuer or the Existing Issuer, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Security Trustee or by an Extraordinary Resolution);

(g) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company;

(h) save as permitted in the STID, the cessation or suspension of payment of its debts generally or a public announcement by such person of an intention to do so; or

(i) save as provided in the STID, a moratorium is declared in respect of any indebtedness of such person.

"**Insolvency Official**" means, in connection with any Insolvency Proceedings in relation to a company, a liquidator, provisional liquidator, administrator, Special Administrator, administrative receiver, receiver, manager, nominee, supervisor, trustee, conservator, guardian or other similar official in respect of such company or in respect of all or substantially all of the company's assets or in respect of any arrangement or composition with creditors.

"**Insolvency Proceedings**" means, in respect of any company, the winding-up, liquidation, dissolution, administration of such company or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or of any jurisdiction in which such company carries on business including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

"**Instalment Amount**" has the meaning given to it in Condition 6(g) (*Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts*).

"**Instalment Bonds**" has the meaning given to it in the Conditions.

"**Instruction Notice**" shall have the meaning given to it in the STID.

"**Instrument of Appointment**" means the instrument of appointment dated August 1989 under sections 11 and 14 of the Water Act 1989 (as in effect on 1 September 1989) (as amended/varied from time to time and as appended to the variation instrument dated 20 July 2012 and effective as of 23:59 on 27 July 2012, as amended from time to time) under which the Secretary of State for the Environment appointed AWL as a water undertaker under the WIA for the areas described in the Instrument of Appointment, as modified or amended from time to time.

"**Instrument of Appointment Condition**" means any of the conditions contained in the Instrument of Appointment.

"**Insurances**" means, as the context may require, any or all contracts or policies of insurance taken out by an Obligor from time to time, including in each case any future renewal or replacement of any such insurance whether with the same or different insurers and whether on the same or different terms.

"**Intellectual Property Right**" means all right, title and interest in:

(a) any trade mark, service mark, trade name, logo, patent, invention, design or similar right;

(b) any designs, copyright, semi-conductor topography, database and know-how or intellectual property right; and

(c) all such similar rights which may subsist in any part of the world,

in each case whether registered or not, whether in existence now or in the future, and includes any related application.

"**Intercreditor Arrangements**" means the intercreditor arrangements in respect of the Financing Group as contained in the STID and the CTA.

"**Interest Amount**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**Interest Commencement Date**" means, in the case of interest-bearing Bonds, the date specified in the applicable Final Terms from (and including) which such Bonds bear interest, which may or may not be the Issue Date.

"**Interest Determination Date**" means, with respect to an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, the day falling two Business Days in London prior to the first day of such Interest Period (or if the Relevant Currency is sterling the first day of such Interest Period) (as adjusted in accordance with any Business Day Convention (as defined herein) specified in the relevant Final Terms) or, in the case of Indexed Bonds, the first Business Day on which it is practicable to calculate the Index Ratio applicable to the relevant Calculation Date in accordance with Condition 7(a) (*Definitions (RPI)*).

"**Interest Payment Date**" means any date upon which interest or payments equivalent to interest become payable under the terms of any Authorised Credit Facility.

"**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.

"**Interest Rate Hedging Agreement**" means any Hedging Agreement with a Hedging Counterparty in respect of one or more Treasury Transactions to hedge exposure to interest rates, including any RPI Linked Hedging Agreement or any other Hedging Agreement specified as such in the relevant Accession Memorandum to the STID.

"**Interest Rate**" means the rate of interest payable from time to time in respect of the Bonds and which is either specified as such in, or calculated in accordance with the provisions of, the Conditions and/or the relevant Final Terms.

"**Intra-Group Debt Service Distribution**" means any distribution or payment in respect of a Permitted Tax Loss Transaction between members of the Financing Group.

"**Intra-Group Loans**" means the amounts outstanding, from time to time, in respect of any financial indebtedness between members of the Financing Group.

"**Investment Grade**" means a rating of at least P-3 (short term) and Baa3 (long-term) by Moody's, A-3 (short-term) and BBB- (long term) by S&P and F3 (short-term) and BBB- (long-term) by Fitch (to the extent the Fitch Appointment Right has been exercised by the Transaction Agent).

"**Investor Report**" means each report produced by the Transaction Agent to be delivered within the earlier of 45 days after publication of the relevant Financial Statements or 120 days from 31 March or 90 days from 30 September in each year, substantially in the form set out in Schedule 9 (*Form of Investor Report*) to the CTA.

"**IRC**" means the amounts set out under the heading "**infrastructure renewals charge**" in the financial projections contained in the supplementary report issued by Ofwat detailing the numbers and assumptions specific to AWL in Ofwat's most recent Final Determination adjusted as appropriate for any subsequent interim determination of a price control and for Out-turn Inflation, provided that, for the purposes of calculating any financial ratio for any Test Period for which there is no Final Determination, "**IRC**" shall be AWL's good faith present estimate of such infrastructure renewals charge for such Test Period.

"**ISDA Definitions**" means the 2000 ISDA Definitions or the 2006 ISDA Definitions, as specified in the relevant Final Terms(as amended and updated as at the date of issue of the relevant Tranche of Bonds of the relevant Sub-Class as published by the International Swaps and Derivatives Association, Inc.).

"**ISDA Determination**" has the meaning given to it in Condition 6(b) (*Interest on Floating Rate Bonds*).

"**ISDA Master Agreement**" means an agreement in the form of the 1992 or 2002 ISDA Master Agreement (Multi-Currency Cross Border) or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee.

"**ISDA Rate**" has the meaning given to it in Condition 6(b) (*Interest on Floating Rate Bonds*).

"**Issue Date**" means the date of issue of any Series of Bonds or the date upon which all conditions precedent to a utilisation under any other Authorised Credit Facility have been fulfilled or waived and AWL, the Programme Issuer or, as the case may be, the Existing Issuer makes a utilisation of that facility.

"**Issue Price**" means the price as stated in the relevant Final Terms, generally expressed as a percentage of the nominal amount of the Bonds, at which the Bonds will be issued.

"**Issuing Bank**" means the any financial institution that agrees to become an issuing bank under an Authorised Credit Facility (in accordance with the terms thereof) and accedes to the terms of the STID and CTA.

"**Joint Venture**" means any arrangement or agreement for any joint venture, co-operation or partnership pursuant to, required for or conducive to the operation of the Business or Permitted Non-Appointed Business by AWL but shall exclude any arrangements or framework agreements entered into with a Contractor which are in accordance with Paragraph 25 (*Outsourcing Policy*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the Common Terms Agreement.

"**K**" means the adjustment factor set for each year by Ofwat by which charges made by Regulated Companies for water supply services may be increased, decreased or kept constant and, if a Different Price Control Mechanism is introduced or implemented for any of these services, "K" shall mean the adjustment factor set for each year by Ofwat by which charges made by Regulated Companies for their wholesale activities may be increased, decreased or kept constant.

"**Lease Calculation Cashflow**" means, in respect of any Test Period commencing on 1 April in any year or, as the case may be, the Pre-Test Period, for any Finance Lease, a cashflow statement produced by the relevant Finance Lessor on, or as soon as reasonably practicable after, its Lease Calculation Date occurring prior to the commencement of such Test Period and in accordance with its terms, the CTA and the terms of the relevant Accession Memorandum, and using, *inter alia*, for the purposes of calculating the amount shown for each Rental Payment Date falling within the relevant Test Period or, as the case may be, the Pre-Test Period under the heading "**interest**" (or the equivalent thereof (howsoever worded)) in such cashflow statement, a rate of LIBOR, estimated, as at its Lease Calculation Date, by reference to the average of those rates per annum being offered by the Reference Banks to prime banks in the London interbank market for entry into 12 month (or such other period as is equal to the relevant Rental Period under such Finance Lease) forward contracts, commencing on each Rental Payment Date arising during the period commencing on such Lease Calculation Date and ending on the last Rental Payment Date to occur during the relevant Test Period and as agreed between AWL and the relevant Finance Lessor (provided that, where any Finance Lease contains Rentals which are calculated by reference to a fixed rate of interest, or where, in respect of a Finance Lease a rate of interest in respect of a Test Period, or as the case may be, the Pre-Test Period, in question has previously been determined prior to the relevant Lease Calculation Date in accordance with the terms of that Finance Lease, any Lease Calculation Cashflow produced in respect of that Finance Lease shall reflect the actual fixed rate of interest or, as the case may be, such previously determined rate of interest, implicit in such Rental calculations), provided that where in respect of any

Finance Lease there has been a change of assumption resulting in an increase or decrease in the Rental payable thereunder during any Test Period commencing on 1 April in any year or the Pre-Test Period, as the case may be, the Lease Calculation Cashflow applicable to that Finance Lease for such Test Period or the Pre-Test Period shall also include a cashflow statement, produced as soon as reasonably practicable after the time of recalculating the Rental and in accordance with its terms, and the terms of the relevant Accession Memorandum and using, in such cashflow statement, the same estimated interest rates as were used in preparation of the original cashflow statement prepared on or as soon as reasonably practicable after the Lease Calculation Date applicable to that Test Period or the Pre-Test Period, as the case may be.

"**Lease Calculation Date**" means in respect of any Finance Lease:

(a) the date of the Accession Memorandum executed by the relevant Finance Lessor relating to such Finance Lease; and

(b) the date falling 10 days before the Rental Payment Date immediately preceding the commencement date of the first Test Period to commence on 1 April immediately after the date referred to in paragraph (a) above; and

(c) each anniversary of the date referred to in paragraph (b) above,

save that where any date referred to in this definition is not a Business Day, such date shall be deemed to be the preceding Business Day.

"**Lease Reserve Amount**" means, in respect of any Finance Lease in any Test Period commencing on 1 April in any year or the Pre-Test Period, the lower of: (i) the aggregate Notional Amount calculated with respect to such Finance Lease; and (ii) the aggregate amount of rental payments payable to the Finance Lessor under such Finance Lease during such Test Period or, as the case may be, the Pre-Test Period (inclusive of VAT) (after adding back any additional rentals (inclusive of VAT) payable and deducting any estimated rental rebates (inclusive of any credit for VAT), in each case as determined in accordance with the provisions of the relevant Finance Lease).

"**Legacy Chertsey Security**" means a charge over AWL's freehold interest in the land on the southeast side of Ferry Lane, Laleham, Chertsey with title number SY349061 recorded on HM Land Registry at first registration.

"**Legacy Debenture Stock**" means the following AWL debenture stock issued before the Initial Issue Date:

(a) 4% irredeemable consolidated debenture stock with an outstanding amount of approximately £8,000 on the Initial Issue Date;

(b) 4% irredeemable debenture stock with an outstanding amount of approximately £1,000 on the Initial Issue Date;

(c) 4.25% irredeemable debenture stock with an outstanding amount of approximately £200 on the Initial Issue Date;

(d) 5% irredeemable debenture stock with an outstanding amount of approximately £24,000 on the Initial Issue Date; and

(e) 5.25% irredeemable debenture stock with an outstanding amount of approximately £1,000 on the Initial Issue Date.

"**LF Provider Minimum Rating**" means in respect of:

(a) Moody's: P-1;

(b) S&P: A-1; and

(c) Fitch (to the extent the Fitch Appointment Right has been exercised by the Transaction Agent): F1,

or, in each case, such lower rating level notified in writing by AWL to the Security Trustee:

(i) which, in the opinion of AWL, having discussed with the relevant Rating Agencies, would not lead to any downgrade or the placing on credit watch negative (or equivalent) of the then current ratings ascribed to any Class and/or Sub-Class of Bonds and/or the Existing Issuer Bonds; and

(ii) provided that such rating shall not be required from any such Rating Agency that is not then rating the Bonds and/or the Existing Issuer Bonds.

"**LF Event of Default**" has the meaning given to such term in Paragraph 2 of Schedule 12 (*DSR Liquidity Facilities/O&M Reserve Facility Terms*) to the CTA.

"**Liability**" means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including in respect of taxes, duties, levies, imposts and other charges) and including any irrecoverable value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.

"**LIBOR**" has the meaning given to that term in the relevant Finance Document.

"**Liquidity Facility**" means a DSR Liquidity Facility or an O&M Reserve Facility made under a Liquidity Facility Agreement and "**Liquidity Facilities**" means all of them.

"**Liquidity Facility Agent**" means, in respect of any Liquidity Facility Agreement, the Facility Agent under such Liquidity Facility Agreement.

"**Liquidity Facility Agreement**" means each liquidity facility agreement which has the characteristics set out in Schedule 12 (*DSR Liquidity Facilities/O&M Reserve Facility Terms*) to the CTA, as established in connection with each Class and/or Sub-Class of Bonds and the Existing Issuer Bonds issued by or any other Authorised Credit Facility provided to, the Programme Issuer, the Existing Issuer or AWL (as the case may be) or with shortfalls in funding for Projected Operating Expenditure or projected Capital Maintenance Expenditure, each counterparty to which has acceded to the terms of the STID and the CTA.

"**Liquidity Facility Provider**" means any lender from time to time under a Liquidity Facility Agreement that has agreed to be bound by the terms of the STID and the CTA.

"**listed**" means that Bonds have been admitted to trading on the Market and have been admitted to the Official List.

"**Listing Rules**" means the Listing Rules of the Financial Conduct Authority.

"**London Stock Exchange**" means The London Stock Exchange plc.

"**Majority Creditors**" means the Class A DIG Representatives in respect of more than 50 per cent. of the Voted Qualifying Class A Debt or, following repayment in full of the Qualifying Class A Debt, Class B DIG Representatives in respect of more than 50 per cent. of the Voted Qualifying Class B Debt (in each case, subject to clause 8 (*Modifications, Consents and Waivers*) and clause 11 (*Voting*) and clause 10.1 (*Notification of Outstanding Principal Amount of Qualifying Secured Debt*) of the STID).

"**Make-Whole Amount**" means any amount above par payable on redemption of any Senior Debt except where such amount is limited to accrued interest.

"**Management Services Agreement**" means any agreement between AWL and an Associate pursuant to which such Associate provides management services to AWL, including, but not limited to, in respect of tax, treasury, insurance, accounts and/or audit functions and/or the provision of directors to the Financing Group.

"**Mandatory Cost Rate**" means, in relation to any Authorised Credit Facility, the addition to the interest rate payable to compensate that Authorised Credit Provider for the cost of compliance with the requirements of the Bank of England and/or the Financial Conduct Authority (or, in either case, any other authority which replaces all or any of its functions) in accordance with the formula(e) set out in the relevant Authorised Credit Facility.

"**Margin**" means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms.

"**Market in Financial Instruments Directive**" means Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

"**Market**" means the regulated market of the London Stock Exchange.

"**Master Definitions Agreement**" or "**MDA**" means a master definitions agreement entered into on the Initial Issue Date as amended and restated from time to time between, among others, the Security Trustee, the Obligors and the Bond Trustee.

"**Master Implementation Deed**" means a master implementation deed entered into on 8 January 2019 as amended and restated from time to time between, among others, the Security Trustee, the Obligors and the Bond Trustee.

"**Material Adverse Effect**" means the effect of any event or circumstance which is materially adverse, taking into account the timing and availability of any rights or remedies under the WIA or the Instrument of Appointment, to:

(a) the financial condition of AWL, the Programme Issuer, the Existing Issuer, or of the Financing Group taken as a whole;

(b) the ability of any member of the Financing Group to perform its material obligations under any Finance Document;

(c) the validity or enforceability of any Finance Document or the rights or remedies of any Secured Creditor thereunder; or

(d) the ability of AWL to perform or comply with any of its material obligations under the Instrument of Appointment or the WIA.

"**Maturity Date**" means the date on which a Bond is expressed to be redeemable or any other Authorised Credit Facility is expressed to be repayable in full.

"**Maximum Indexation Factor**" means the indexation factor specified as such in the relevant Final Terms.

"**Maximum Interest Rate**" means the rate specified as such in the relevant Final Terms.

"**Member State**" means a member state of the European Union.

"**Minimum Indexation Factor**" means the indexation factor specified as such in the relevant Final Terms.

"**Minimum Interest Rate**" means the rate specified as such in the relevant Final Terms.

"**Modified Following Business Day Convention**" has the meaning given to it in Condition 6(f) (*Business Day Convention*).

"**Monthly Payment Amount**" has the meaning given to it in the CTA.

"**Moody's**" means Moody's Investors Service Limited, or any successor to the rating agency business of Moody's Investors Service Limited.

"**necessary information**" means, in relation to any Tranche of Bonds, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Programme Issuer and of the rights attaching to the Bonds. In relation to the different types of Bonds which may be issued under the Programme, the Programme Issuer has endeavoured to include in this Prospectus all of the necessary information except for information relating to the Bonds which is not known at the date of this Prospectus and which can only be determined at the time of an individual issue of a Tranche of Bonds.

"**Net Cash Flow**" means, in respect of a Test Period, and without double counting, the appointed revenue and non-appointed revenue of AWL after:

(a) deducting appointed operating expenditure and non-appointed operating expenditure;

(b) adding Deferrals of K and recoverable VAT;

(c) *adding* back pension service cost (to the extent included in appointed operating expenditure);

(d) *deducting* total pension cash contributions;

(e) *deducting* any net increase in trade and other debtors in respect of operating items, prepayments and trading stock (excluding Capital Expenditure debtors);

(f) *adding* any net decrease in trade and other debtors in respect of operating items, prepayments and trading stock (excluding Capital Expenditure debtors);

(g) *deducting* any net decrease in trade and other creditors in respect of operating items (not being in respect of Financial Indebtedness) and accrued expenses, accrued costs and deferred income (excluding Capital Expenditure creditors);

(h) *adding* any net increase in trade and other creditors in respect of operating items (not being in respect of Financial Indebtedness) and accrued expenses, accrued costs and deferred income (excluding Capital Expenditure creditors);

(i) *adding* the amount *of* any cash rebate or cash refund of Tax received;

(j) *deducting* all *amounts* of cash Tax paid;

(k) *adding* any *exceptional* or one-off expenditure items; and

(l) *deducting* any *exceptional* or one-off items to the extent that such items represent receipts and/or are included in appointed revenue or non-appointed revenue,

provided that in each case that in respect of a future Test Period (or part of a Test Period) such amounts shall be based on anticipated amounts as shown in the AWL Business Plan.

"**New Money Advance**" means any drawing during a Standstill under any Authorised Credit Facility which is not made (or to the extent not made) for the purpose of refinancing a drawing under such Authorised Credit Facility.

"**Non-Appointed Business**" means any business carried out by AWL other than business which is Appointed Business as at the Initial Issue Date.

"**Non-Appointed Expense**" means any expense incurred in connection with activities other than Appointed Business.

"**Non-Base Currency**" means a currency other than pounds sterling.

"**Non-Financing Group**" means any member of the Affinity Group which is not a member of the Financing Group.

"**Notice**" or "**notice**" means, in respect of a notice to be given to Bondholders, a notice validly given pursuant to Condition 17 (*Notices*).

"**Notified Item**" means any item formally notified by the Ofwat to AWL as not having been allowed for in full or part in K provided that there has been no Periodic Review subsequent to that notification.

"**Notional Amount**" means, in respect of any Finance Lease, a sum, certified by any Authorised Signatory of the relevant Finance Lessor on each Lease Calculation Date and using the relevant Lease Calculation Cashflow relating thereto as being, for the next succeeding Test Period commencing on 1 April, the amount shown for each Rental Payment Date falling in that relevant Test Period or, as the case may be, the Pre-Test Period under the headings "**interest**" and "**margin**" (or any equivalents thereof (howsoever worded)) in

such Lease Calculation Cashflow, together with an amount equal to the VAT on such amount at the rate applicable to rentals payable under the relevant Finance Lease.

"**Novation Agreement**" means each novation agreement between each Existing Hedging Counterparty as Remaining Party, AWL as Transferee and Affinity Water Acquisitions Limited as Transferor (in each case as defined in the respective novation agreement) dated on the Initial Issue Date.

"**O&M Reserve**" means the amounts standing to the credit of the O&M Reserve Accounts.

"**O&M Reserve Accounts**" means the account of AWL entitled "**O&M Reserve Account**" held at the Account Bank and includes any sub-account relating to such accounts and any replacement account or accounts from time to time.

"**O&M Reserve Facility**" means any operation and maintenance reserve liquidity facility made available under a Liquidity Facility Agreement.

"**O&M Reserve Facility Agreement**" means an agreement establishing an O&M Reserve Facility.

"**O&M Reserve Facility Provider**" means a lender from time to time under an O&M Reserve Facility.

"**O&M Reserve Required Amount**" means not less than:

(a) if the Senior RAR as calculated at the most recently occurring Calculation Date for each Test Period (taking into account the incurrence of any Permitted Further Financial Indebtedness following such Calculation Date) is equal to or lower than 67.5 per cent., zero; and

(b) if the Senior RAR as calculated at the most recently occurring Calculation Date for any Test Period (taking into account the incurrence of any Permitted Further Financial Indebtedness following such Calculation Date) is greater than 67.5 per cent., 10 per cent. of AWL's Projected Operating Expenditure and Capital Maintenance Expenditure for the next succeeding 12 months,

in each case, as determined on 31 March in each year in its budget for that Test Period.

"**Obligors**" means AWL, AWHL, the Programme Issuer and the Existing Issuer, together with any other entity which accedes to the Finance Documents as an Obligor in accordance with the terms thereof (including any Permitted Subsidiary), and "**Obligor**" means any of them.

"**Official List**" means the official list of the FCA.

"**Ofwat**" means the WSRA, including its successor office or body.

"**Operating Accounts**" means each account at the Account Bank specified in the Account Bank Agreement as an Operating Account including any sub-account and any replacement account or other operating accounts from time to time.

"**Order**" means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

"**Original Reference Rate**" means the originally specified benchmark or screen rate (as applicable) used to determine the Interest Rate (or any component part thereof) on the Bonds.

"**Other Finance Document**" means a Finance Document (which is not a Common Document).

"**Other Parties**" means a Dealer, the Arranger, the Bond Trustee, the Security Trustee or any of the Hedging Counterparties, the Liquidity Facility Providers, the Authorised Credit Providers, the Agents, the Account Bank, the Standstill Cash Manager, the Finance Lessors or the members of the Affinity Group (other than the Programme Issuer and the other Obligors) or any person affiliated with any of them.

"**Outsourcing Agreement**" means (other than the Transitional Agreements and the Shared Services Agreement) any agreement pursuant to which AWL sub-contracts, tenders or outsources either the day to day operation of its assets, business services and service delivery (including any maintenance expenditure) or acquires technical know-how and access to other Intellectual Property Rights in relation to water services that, in the case of any outsourcing AWL could, if not outsourced, perform itself;

"**Outstanding**" means:

(A) in relation to the Bonds of all or any Class and/or Sub-Class, all the Bonds of such Class and/or Sub-Class issued other than:

(a) those Bonds which have been redeemed pursuant to the Bond Trust Deed;

(b) those Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Bondholders in accordance with Condition 17 (*Notices*)) and remain available for payment against presentation of the relevant Bonds and/or Receipts and/or Coupons;

(c) those Bonds which have been purchased and cancelled in accordance with Conditions 8(i) (*Purchase of Bonds*) and 8(k) (*Cancellation*);

(d) those Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 13 (*Prescription*);

(e) those mutilated or defaced Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Bonds, Coupons, Receipts and Talons*);

(f) (for the purpose only of ascertaining the nominal amount of the Bonds outstanding and without prejudice to the status for any other purpose of the relevant Bonds) those Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Bonds, Coupons, Receipts and Talons*); and

(g) in the case of Bearer Bonds, any Global Bond to the extent that it shall have been exchanged for Definitive Bonds or another Global Bond and, in the case of Registered Bonds, any Global Bond Certificate to the extent that it shall have been exchanged for Individual Bond Certificates, and, in each case, pursuant to its provisions, the provisions of the Bond Trust Deed and the Agency Agreement,

PROVIDED THAT for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the holders of the Bonds of any Class and/or Sub-Class;

(ii) the determination of how many and which Bonds of any Class and/or Sub-Class are for the time being outstanding for the purposes of Condition 15 (*Meetings of Bondholders, Modification, Waiver and Substitution*), clause 11 (*Voting*) of the STID and Schedule 4 (*Meeting and Voting Provisions*) to the Bond Trust Deed;

(iii) any discretion, power or authority (whether contained in the Bond Trust Deed or vested by operation of law) which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Bonds of any Class and/or Sub-Class; and

(iv) the determination by the Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Bonds of any Class and/or Sub-Class,

those Bonds of the relevant Class and/or Sub-Class (if any) which are for the time being held by a Connected Party (unless and until ceasing to be so held) be deemed not to remain Outstanding; and

(B) in relation to the Existing Issuer Bonds, all the Existing Issuer Bonds issued other than:

(a) those Existing Issuer Bonds which have been redeemed pursuant to the Existing Issuer Bond Trust Deed;

(b) those Existing Issuer Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Existing Issuer Bond Trustee or to the paying agent in the manner provided in the agency agreement (and where appropriate notice to that effect has been given to the relative Existing Issuer Bondholders in accordance with Condition 17 (*Notices*)) and remain available for payment against presentation of the relevant Existing Issuer Bonds;

(c) those Existing Issuer Bonds which have been purchased and cancelled in accordance with Conditions 8(i) (*Purchase of Bonds*) and 8(k) (*Cancellation*);

(d) those Existing Issuer Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 13 (*Prescription*);

(e) those mutilated or defaced Existing Issuer Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Bonds, Coupons, Receipts and Talons*);

(f) (for the purpose only of ascertaining the nominal amount of the Existing Issuer Bonds outstanding and without prejudice to the status for any other purpose of the relevant Existing Issuer Bonds) those Existing Issuer Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Bonds, Coupons, Receipts and Talons*); and

(g) any global bond to the extent that it shall have been exchanged for definitive bonds or another global bond pursuant to its provisions, the provisions of the Existing Issuer Bond Trust Deed and the agency agreement,

PROVIDED THAT for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the holders of the Existing Issuer Bonds;

(ii) the determination of how many and which Existing Issuer Bonds are for the time being outstanding for the purposes of Condition 15 (*Meetings of Bondholders, Modification, Waiver and Substitution*), clause 11 (*Voting*) of the STID and Schedule 3 (*Provisions for Meetings of Bondholders*) to the Existing Issuer Bond Trust Deed;

(iii) any discretion, power or authority (whether contained in the Existing Issuer Bond Trust Deed or vested by operation of law) which the Existing Issuer Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Existing Issuer Bonds; and

(iv) the determination by the Existing Issuer Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Existing Issuer Bonds,

those Existing Issuer Bonds which are for the time being held by a Connected Party (unless and until ceasing to be so held) be deemed not to remain Outstanding.

"**Outstanding Principal Amount**" means, as at any date that the same falls to be determined:

(a) in respect of any Bonds, the Principal Amount Outstanding (or the Equivalent Amount);

(b) in respect of any Existing Issuer Bonds, the Principal Amount Outstanding (or the Equivalent Amount);

(c) in respect of any other Secured Liabilities owed to an Authorised Credit Provider, the outstanding principal amount (or the Equivalent Amount) of such debt together with any undrawn commitments of the relevant Authorised Credit Provider;

(d) in respect of any Finance Lease (if any), the Equivalent Amount of either:

(i) prior to an Acceleration of Liabilities (other than a Permitted Lease Termination under such Finance Lease and subject to any increase or reduction calculated in accordance with clause 10.1 (*Notification of Outstanding Principal Amount of Qualifying Secured Debt*) of the STID), the highest termination value which may fall due during the Rental Period encompassing such date, calculated upon the assumptions set out in the cashflow report provided by the relevant Finance Lessor on the first day of each such Rental Period (or in the most recently generated cashflow report which is current on such date); or

(ii) following any Acceleration of Liabilities (other than a Permitted Lease Termination under such Finance Lease), the actual amount (if any) that would be payable to the relevant Finance Lessor in respect of a termination of the leasing of the Equipment on the date of such Acceleration of Liabilities (other than a Permitted Lease Termination);

(e) in respect of each Hedging Agreement (after the termination of a Standstill Period (other than due to a Standstill remedy)):

(i) if an early termination date has been designated in respect of the transaction or transactions arising under such Hedging Agreement pursuant to the ISDA Master Agreement governing such transaction or transactions and subject to the overriding provisions contained in the CTA and/or the STID, the Equivalent Amount of the amount due and payable as a result of such early termination; or

(ii) otherwise, zero; or

(f) in respect of any other Secured Liabilities not referred to above, the Equivalent Amount of the outstanding principal amount of such Secured Liabilities on such date in accordance with the relevant Finance Documents, all as most recently certified or notified of the Security Trustee, pursuant to Clause 10.1 (*Notification of Outstanding Principal Amount of Qualifying Secured Debt*) of the STID.

"**Out-turn Inflation**" means, in respect of any period for which the relevant indices have been published, the actual inflation rate applicable to such period determined by reference to movements in the Retail Price Index or as from 1 April 2020, CPIH, as relevant, and, in respect of any period, including future periods, for which the Retail Price Index has not yet been published, by reference to forecast rates of inflation consistent with the average monthly movement in the Retail Price Index over the previous 12 months for which the published Retail Price Index is available.

"**Page**" means such page, section, caption, column or other part of a particular information service (including the Reuters Money 3000 Service ("**Reuters**")) as may be specified in the relevant Final Terms as a Relevant Screen Page, and, if such page is unavailable, or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices.

"**Parent**" means Affinity Water Capital Funds Limited, a company incorporated in England and Wales with limited liability, registered number 02630142.

"**Pari Passu Interest Rate Hedging Agreements**" means each Interest Rate Hedging Agreement designated as such in the relevant Accession Memorandum to the STID.

"**Participating Member State**" means any member state of the European Union that has the Euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

"**Party**" means, in relation to a Finance Document, a party to such Finance Document.

"**Paying Agents**" means, in relation to all or any Class and/or Sub-Class of the Bonds, the several institutions (including, where the context permits, the Principal Paying Agent and/or the Registrar) at their respective specified offices initially appointed as paying agents in relation to such Bonds by the Programme Issuer and the other Obligors pursuant to the Agency Agreement and/or, if applicable, any successor paying agents at their respective specified offices in relation to all or any Classes and/or Sub-Classes of the Bonds.

"**Payment**" means, in respect of any liabilities or obligations, a payment, prepayment, repayment, redemption, defeasance or discharge of those liabilities or obligations.

"**Payment Date**" means each date on which a payment is made or is scheduled to be made by an Obligor in respect of any obligations or liability under any Authorised Credit Facility.

"**Payment Priorities**" means the provisions relating to the order of priority of payments set out in paragraph 8.3 (*Debt Service Payment Account*) of Schedule 10 (*Cash Management*) to the CTA as adjusted following the termination of a Standstill (other than pursuant to clause 16.4.1(c) (*Termination of Standstill*) of the STID) in accordance with paragraph 8.12 (*Debt Service Payment Account*) of Schedule 10 (*Cash Management*) to the CTA.

"**Periodic Information**" means the following documents (or documents which include such information):

(a) AWL's annual charges scheme with details of tariffs;

(b) a summary of AWL's strategic business plan at each Periodic Review;

(c) AWL's current Procurement Plan (if any);

(d) AWL's annual drinking water quality report;

(e) AWL's annual environmental report;

(f) AWL's annual conservation and access report; and

(g) such other material periodic information compiled by AWL for Ofwat.

"**Periodic Review**" means the periodic review of K as provided for in Instrument of Appointment Condition B.

"**Periodic Review Effective Date**" means the date with effect from which the new K will take effect, following a Periodic Review.

"**Periodic Review Period**" means the period commencing on a Periodic Review Effective Date and ending on the next Date Prior.

"**Permanent Global Bond**" means in relation to any Sub-Class of Bearer Bonds issued under the Programme, (i) a global bond in the form or substantially in the form set out in Part B (*Form of Permanent Global Bond*) of Schedule 2 (*Forms of Global and Definitive Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed with such modifications (if any) as may be agreed between the Programme Issuer, the Principal Paying Agent, the Bond Trustee and the Relevant Dealer(s), together with the copy of each applicable Final Terms annexed thereto, comprising some or all of the Bearer Bonds of the same Sub-Class, issued by the Programme Issuer pursuant to the Dealership Agreement or any other agreement between the Programme Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed in exchange for the whole or part of any Temporary Global Bond issued in respect of such Bearer Bonds.

"**Permitted Acquisition**" means any of the following carried out by AWL:

(a) an acquisition (including Authorised Investments), but not of any company or shares therein, partnership or Joint Venture, made on arm's length terms and in the ordinary course of trade;

(b) an acquisition of assets required to replace surplus, obsolete, worn-out, damaged or destroyed assets which in the reasonable opinion of AWL are necessary or desirable for the efficient operation of its Business or in accordance with the Finance Leases or the Existing Finance Leases;

(c) an acquisition of assets (but not of any company or shares therein, partnership or Joint Venture) made on arm's length terms entered into for *bona fide* commercial purposes.

(d) all contracts entered into by AWL from time to time in relation to supplies of electricity, gas or water;

(e) an acquisition of an inset business in the United Kingdom which is or will be included in RCV and which breaches neither the Instrument of Appointment nor the WIA;

(f) an acquisition (including of any shares in a company) made in connection with a Permitted Joint Venture;

(g) the establishment or acquisition of a Permitted Leasing Subsidiary and/or a Permitted Additional Issuer Subsidiary;

(h) (save as provided in paragraph 2 (*No Debt Repurchase*) of Part 2 (*Trigger Event Consequences*) of Schedule 5 (*Trigger Events*) to the CTA) the acquisition of any Financial Indebtedness of the Financing Group (including the Bonds and the Existing Issuer Bonds) provided that any such acquisition is made in good faith for *bona fide* commercial purposes;

(i) the acquisition of AWSS (including of any shares in AWSS) or all or part of the business of AWSS or any corporate amalgamation, demerger, merger, consolidation or reconstruction involving AWL and AWSS;

(j) a Permitted Boundary Change; and

(k) an acquisition made with the consent of the Security Trustee,

in each case to the extent that such acquisition would not contravene the Instrument of Appointment, the WIA or any requirement under the Instrument of Appointment or WIA.

"**Permitted Additional Issuer Subsidiary**" means a Subsidiary established by AWL for the purposes of issuing debt securities, provided that on or prior to the date of establishment, the requirements set out in the definition of "**Permitted Subsidiary**" have been complied with.

"**Permitted Book Debt Disposal**" means the disposal of book debts in each financial year with a nominal value of up to the greater of:

(a) 0.1 per cent. of RCV; or

(b) £1,000,000 (indexed),

(or a greater amount with the written consent of the Security Trustee), and provided that Written Off Book Debts shall have a nominal value of zero for such purposes, by AWL on arm's length terms to any person other than an Affiliate where:

(a) such book debts are sold to a person or persons whose business is the recovery of debts;

(b) AWL has made a prudent provision in its accounts against the non-recoverability of such debts;

(c) any write-back of any provision for non-recoverability arising from the sale can only be treated as operating profit for the purposes of the financial ratios once the relevant recourse period against AWL has expired; and

(d) the AWL Business Plan is updated to ensure that the transaction is taken into account in calculating all relevant financial ratios under the CTA.

"**Permitted Boundary Change**" means any change to the licensed areas of AWL under the Instrument of Appointment which (individually or taken together) result in:

(a) a net increase of less than or equal to the greater of (i) 5 per cent. of RCV; or (ii) £50,000,000 at the time of such change; or

(b) a net decrease of less than or equal to the greater of (i) 2 per cent. of RCV; or (ii) £20,000,000 at the time of such change,

in each case, in any Periodic Review Period.

"**Permitted Disposal**" means any disposal of physical or financial assets made by AWL (and, in the case of paragraph (o) below, any Permitted Leasing Subsidiary) which:

(a) is made in the ordinary course of trading of the disposing entity or in connection with an arm's length transaction entered into for bona fide commercial purposes to provide a benefit for the Business;

(b) is of assets in exchange for other assets comparable or superior as to type, value and quality;

(c) is of Equipment pursuant to or to be leased under a Finance Lease or an Existing Finance Lease;

(d) would not result in the Senior RAR, calculated for the most recent Calculation Date (adjusted on a pro-forma basis to take into account the proposed disposal), being more than 0.90:1;

(e) is a disposal for cash on arm's length terms of any surplus or obsolete or worn-out assets which, in the reasonable opinion of AWL, are not necessary or desirable for the efficient operation of its Business and which does not cause a Trigger Event under paragraph 1 (*Financial Ratios*), Part 1 (*Trigger Events*) of Schedule 5 (*Trigger Events*) to the CTA;

(f) is made pursuant to an Outsourcing Agreement complying with Paragraph 25 (*Outsourcing Policy*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

(g) is a Permitted Book Debt Disposal;

(h) is a disposal of Protected Land (as that term is defined in the WIA) in accordance with the terms of the Instrument of Appointment or as otherwise approved by Ofwat;

(i) is a disposal, surrender or allocation of tax losses or other benefit or interest pursuant to a Permitted Tax Loss Transaction;

(j) is the disposal of assets owned by AWL which form part of its Permitted Non-Appointed Business;

(k) is any other disposal which is in accordance with the Instrument of Appointment provided that the consideration (both cash and non-cash) received by AWL (or which would be received by AWL if such disposal was made on arm's length terms for full commercial value to an unconnected third party) in respect of any such disposal when aggregated with all other such disposals by it made in (i) the immediately preceding twelve month period does not exceed the greater of (x) 2.5 per cent. of RCV (or its equivalent) or (y) £25,000,000 (indexed); and (ii) the immediately preceding five year period does not exceed the greater of (x) 10 per cent. of RCV (or its equivalent) or (y) £100,000,000 (indexed);

(l) is a disposal of assets to a partnership or a Permitted Joint Venture made on arm's lengths terms entered into for bona fide commercial purposes in furtherance of AWL's statutory and regulatory obligations;

(m) is a disposal pursuant to any vehicle purchase or leasing arrangements;

(n) is or relates to the winding-up, liquidation or dissolution of an Existing Dormant Subsidiary;

(o) is a disposal of water assets recorded as fixed assets on the balance sheet of AWL to a Permitted Leasing Subsidiary by way of sale or by way of finance or operating lease arrangements and/or is a disposal pursuant to any lease of such assets granted by a Permitted Leasing Subsidiary to AWL or to another Permitted Leasing Subsidiary; or

(p) is a Permitted Boundary Change.

provided that in each case (i) such disposal does not cause any of the Trigger Event Ratio Levels to be breached and (ii) such disposal would not contravene the Instrument of Appointment, the WIA or any requirement under the Instrument of Appointment or WIA.

"**Permitted Emergency Action**" means any remedial action taken by AWL during an Emergency which is in accordance with the policies, standards and procedures for emergency planning manual (EMPROC) of AWL (as amended from time to time), Ofwat guidance notes and Public Procurement Rules and which

AWL considers necessary and which continues only so long as required to remedy the Emergency but in any event no longer than 60 days or such longer period as is agreed by AWL and the Security Trustee.

"**Permitted Existing Non-Appointed Business**" means any Non-Appointed Business which is carried on by AWL at the Initial Issue Date and:

(a) which falls within the Permitted Non-Appointed Business Limits; and

(b) in respect of which all material risks related thereto are insured in accordance with the provisions relating to insurance contained in the CTA; and

(c) which does not give rise to any material actual or contingent liabilities for AWL that are not properly provided for in its Financial Statements.

"**Permitted Existing Pension Scheme**" means each of:

(a) the Relevant Divisions of the AWPP;

(b) any successor pension schemes in relation to which AWL is a participating employer from time to time in accordance with the provisions of the Finance Documents, which may include any occupational pension scheme established by AWL in order to receive a transfer of rights and liabilities from the AWPP and to provide future pension benefits.

"**Permitted Financial Indebtedness**" means:

(a) Financial Indebtedness incurred under the Programme Issuer/AWL Loan Agreements or the Existing Issuer/AWL Loan Agreements;

(b) Financial Indebtedness incurred by one member of the Financing Group to another member of the Financing Group if the debtor in respect of that Financial Indebtedness is an Obligor (including if incurred under any Intra-Group Loans);

(c) Financial Indebtedness incurred under any Finance Document as at the Initial Issue Date;

(d) Financial Indebtedness incurred under a Treasury Transaction provided (i) it is in compliance with the Hedging Policy; or (ii) it is a Treasury Transaction entered into by AWL in the ordinary course of its business to manage risk inherent in its business for non-speculative purposes only and not in respect of any Financial Indebtedness;

(e) any unsecured Financial Indebtedness provided that the aggregate amount of such Financial Indebtedness does not exceed the greater of (i) 1 per cent. of RCV; or (ii) £10,000,000 (indexed) at any time;

(f) in respect of AWHL only, any Subordinated Debt entered into on or after the Initial Issue Date;

(g) Financial Indebtedness where only BACS or similar daylight-banking accommodation is provided;

(h) the Ardleigh Arrangement and the Grafham Water Arrangement;

(i) any Financial Indebtedness incurred under the Existing Finance Leases;

(j) Financial Indebtedness incurred under any Liquidity Facility provided that the provider of such facility is a party to, or has acceded to, the CTA and the STID;

(k) the Legacy Debenture Stock;

(l) any amount due and payable but not yet paid arising in respect of the termination of a Treasury Transaction in accordance with its terms and the provisions of the Hedging Policy;

(m) Permitted Further Financial Indebtedness; or

(n) such further Financial Indebtedness incurred by any member of the Financing Group with the consent of the Security Trustee.

For the purposes of this definition and the definition of Permitted Further Financial Indebtedness only, the termination sums payable under a Treasury Transaction that has been terminated shall not be treated as Financial Indebtedness and the occurrence of such event shall not be construed as the incurrence of Financial Indebtedness.

"**Permitted Further Financial Indebtedness**" means such Financial Indebtedness incurred by the Programme Issuer, the Existing Issuer or AWL that complies with the following conditions:

(a) at the time of incurrence of that Financial Indebtedness, no (i) (in the case of Financial Indebtedness incurred for the purposes of refinancing existing Financial Indebtedness or to finance Capital Expenditure including rolling over maturing advances under existing Financial Indebtedness) Event of Default or (ii) (in the case of any other Financial Indebtedness) Default, in each case is continuing or will arise as a result of the incurrence of such Financial Indebtedness,

(b) the Financial Indebtedness is made available pursuant to an Authorised Credit Facility, the provider of which is a party to, or has acceded to, the CTA and STID;

(c) as a result of the incurrence of the Financial Indebtedness:

(i) none of AWL, the Existing Issuer nor the Programme Issuer will be in breach of Paragraph 4 (*DSR Liquidity Facilities*) of Part 2 (*Financial Covenants*) of Schedule 4 (*Covenants*) to the CTA; and

(ii) no Authorised Credit Provider will have substantially better or additional entrenched rights under the STID than those Authorised Credit Providers providing similar Financial Indebtedness of the same class unless such better or additional entrenched rights are given to all Authorised Credit Providers of that class; and

(iii) the incurrence of the Financial Indebtedness does not cause a breach of the Hedging Policy;

(d) the Financial Indebtedness which is Class A Debt ranks *pari passu* in all respects (but subject to the priorities set out in Paragraph 8.3 (*Debt Service Payment Account*) of Schedule 10 (*Cash Management*) to the CTA) with all other Class A Debt and the Financial Indebtedness that is Class B Debt ranks *pari passu* in all respects (but subject to the priorities set out in Paragraph 8.3 (*Debt Service Payment Amount*) of Schedule 10 (*Cash Management*) to the CTA) with all other Class B Debt;

(e) if such further Financial Indebtedness is Class A Debt or Class B Debt then the Senior RAR for the most recent Calculation Date (taking into account the proposed incurrence of such debt) must be less than or equal to 0.90:1:

(f) if such further Financial Indebtedness is Class A Debt then the Class A RAR for the most recent Calculation Date (taking into account the proposed incurrence of such debt) must be less than or equal to 0.75:1 and the Class A Adjusted ICR and the Conformed Class A Adjusted ICR for each Test Period calculated by reference to the then most recently occurring Calculation Date (taking into account the proposed incurrence of such debt) must each be equal to or greater than 1.30:1;

(g) if the incurrence of such Financial Indebtedness would cause the Senior RAR for each Test Date calculated by reference to the then most recently occurring Calculation Date (taking into account the proposed incurrence of such debt and the incurrence of any other Permitted Further Financial Indebtedness following such Calculation Date) to exceed 67.5 per cent, AWL, the Programme Issuer and the Existing Issuer shall ensure that the aggregate of (x) DSR Liquidity Facilities commitments in respect of Class A Debt; and (y) amounts standing to the credit of the Class A Debt Service Reserve Accounts of the Programme Issuer, the Existing Issuer and AWL (including the value of any Authorised Investments funded from such amounts) is at least equal to the Class A Required Balance at the time of incurrence of such Financial Indebtedness; and

(h) if such further Financial Indebtedness is incurred under a Finance Lease, the amount of that Financial Indebtedness, when aggregated with all other Financial Indebtedness under Finance Leases, shall not exceed the greater of (i) 15 per cent. of RCV; or (ii) 150,000,000 (indexed) or its equivalent.

"**Permitted Hedging Termination**" means the termination of a Hedging Agreement in accordance with the Hedging Agreement subject always to the provisions of Paragraph 1 (*General Principles*) of Schedule 7 (*Hedging Policy*) to the CTA.

"**Permitted Joint Venture**" means the financing, development, design, carrying out and management by or on behalf of AWL of:

(a) the Ardleigh Arrangement and the Grafham Water Arrangement;

(b) any new Joint Venture in relation to which the aggregate liabilities of AWL (when taken together with the liabilities of AWL under any other Permitted Joint Ventures) do not exceed the greater of (i) 0.5 per cent. of RCV; or (ii) £5,000,000 (indexed); or

(c) any new Joint Venture to which the Security Trustee has consented (such consent not to be unreasonably withheld),

in each case, the operation by or on behalf of AWL of that Joint Venture being in accordance with the CTA.

"**Permitted Lease Termination**" means any termination of the leasing of all or any part of the Equipment (or the prepayment of the Rentals arising by reason of such termination) under a Finance Lease in the following circumstances:

(a) *Total Loss*: Pursuant to any provision of a Finance Lease whereby the leasing of all or any part of the Equipment thereunder will terminate following a total loss of such Equipment save that AWL will not make payment to the relevant Finance Lessor of any sums due and payable under the relevant Finance Lease in respect of such total loss if (i) an Acceleration of Liabilities (other than Permitted Hedging Terminations, Permitted Lease Terminations in respect of other Finance Leases) has occurred or (ii) a Default Situation is subsisting or would occur as a result of such payment;

(b) *Illegality*: Pursuant to any provision of a Finance Lease which permits the relevant Finance Lessor to terminate the leasing of the Equipment thereunder and to require payment of a termination sum or sums where it is unlawful for such Finance Lessor to continue to lease the relevant Equipment save that AWL will not make payment to the relevant Finance Lessor of any sums due and payable under the Finance Lease in respect of such circumstances if either (i) an Acceleration of Liabilities (other than Permitted Hedging Terminations and Permitted Lease Terminations in respect of other Finance Leases has occurred) or (ii) a Default Situation is subsisting or would occur as a result of such payment; and

(c) *Voluntary Prepayment/Termination*: Pursuant to any provision of a Finance Lease whereby AWL is or will be entitled, to voluntarily terminate (and require payment of a termination sum), or prepay all or any part of the Rentals relating to the leasing of all or the relevant Equipment under such Finance Lease provided that (i) no Acceleration of Liabilities (other than Permitted Hedging Terminations and Permitted Lease Terminations in respect of other Finance Leases) has occurred or (ii) no Default Situation is subsisting or would occur as a result of such prepayment or termination.

"**Permitted Leasing Subsidiary**" means a Subsidiary established by AWL for the purposes of entering into sale and/or leasing arrangements with AWL in respect of water assets of AWL recorded on the balance sheet of AWL as fixed assets, provided that on or prior to the date of establishment, the requirements set out in the definition of Permitted Subsidiary have been complied with.

"**Permitted Legacy Loan**" means a loan dated on or around the Initial Issue Date of up to £4,000,000 (indexed) under which Affinity Water Capital Funds is the lender and AWL is the borrower and is made for the purpose of financing (directly or indirectly) a Permitted Legacy Payment up to an aggregate amount not exceeding 4 per cent. of £4,000,000 (indexed) in any consecutive 12 month period.

"**Permitted Legacy Payment**" means any payment (whether by loan, repayment of a loan, payment of interest on a loan, dividend or otherwise) directly financing the payment of dividends to shareholders of Affinity Water East Limited and Affinity Water South East Limited (other than Affinity Water Capital Funds Limited) not exceeding amounts equal to the interest due and payable on the Permitted Legacy Loan, or if the Permitted Legacy Loan has been repaid, refinanced or restructured, equivalent amounts not to

exceed such interest payments as would have been payable if the Permitted Legacy Loan had remained outstanding on its original terms.

"**Permitted New Non-Appointed Business**" means any business other than the Appointed Business and Permitted Existing Non-Appointed Business provided that:

(a) such *business*:

(i) is prudent in the context of the overall business of AWL and continues to be prudent for the duration of that Permitted New Non-Appointed Business; and

(ii) is not reasonably likely to be objected to by Ofwat; and (iii) falls within the Permitted Non-Appointed Business Limits;

(b) all material risks related thereto are insured in accordance with the provisions of the CTA; and

(c) such business does not give rise to any material actual or contingent liabilities for AWL that are not or would not be properly provided for in its financial statements.

"**Permitted Non-Appointed Business**" means Permitted Existing Non-Appointed Business and Permitted New Non-Appointed Business.

"**Permitted Non-Appointed Business Limits**" means, in respect of Permitted Non-Appointed Business (i) the average of Non-Appointed Expenses during the current Test Period and, if applicable, the immediately two preceding Test Periods does not exceed 5 per cent. of Cash Expenses of AWL during such Test Periods; and (ii) the aggregate balance sheet liabilities of the Financing Group in respect of Non-Appointed Business do not exceed the greater of (i) 1 per cent. of RCV; or (ii) £10,000,000 (indexed) at any time.

"**Permitted Payments**" means the application of monies credited to the Debt Service Payment Account in accordance with the Payment Priorities.

"**Permitted Post Closing Events**" means:

(a) payment of transaction fees and expenses, to the extent not paid on the Initial Issue Date;

(b) payments and other actions by any or all Obligors or other entities to enable AWL to pay certain amounts outstanding under the £456,000,000 term facilities provided to AWL under a senior facilities agreement dated 22 June 2012 (which have been repaid or cancelled (as applicable) in full as at the date of this Prospectus) and related documentation and the discharge of the security created under such documents;

(c) payments and other actions by any or all Obligors or other entities to enable AWL to pay certain fees in relation to the Existing Hedging Transactions or to terminate such Existing Hedging Transactions;

(d) any other payments listed in writing by AWL as at the Initial Issue Date and signed by way of approval by the Security Trustee.

"**Permitted Security Interest**" means any Security Interest:

(a) created by an Obligor which is:

(i) a Security Interest created under the Security Documents or contemplated by the Common Documents;

(ii) any Security Interest specified in Schedule 10 (*Cash Management*) to the CTA, if the principal amount thereby secured is not increased;

(iii) a Security Interest comprising a netting or set off arrangement entered into by a member of the Financing Group in the ordinary course of its banking arrangements;

(iv) a right of set off, banker's liens or the like arising by operation of law or by contract by virtue of the provision of any overdraft facility and like arrangements arising as a

consequence of entering into arrangements on the standard terms of any bank providing an overdraft;

(v) any Security Interest arising under statute or by operation of law in favour of any government, state or local authority in respect of taxes, assessments or government charges which are being contested by the relevant member of the Financing Group in good faith and with a reasonable prospect of success;

(vi) any Security Interest created in respect of any pre judgment legal process or any judgment or judicial award relating to security for costs, where the relevant proceedings are being contested in good faith by the relevant member of the Financing Group by appropriate procedures and with a reasonable prospect of success;

(b) created by AWL, the Programme Issuer or the Existing Issuer which is:

(i) a Security Interest comprising a netting or set off arrangement entered into under any Hedging Agreement entered into in accordance with the Hedging Policy where the obligations of other parties thereunder are calculated by reference to net exposure thereunder (but not any netting or set-off relating to such Hedging Agreement in respect of cash collateral or any other Security Interest except as otherwise permitted hereunder);

(ii) a lien arising under statute or by operation of law (or by agreement having substantially the same effect) and in the ordinary course of business provided that such lien is discharged within 30 days of any member of the Financing Group becoming aware that the amount owing in respect of such lien has become due;

(iii) a lien in favour of any bank over goods and documents of title to goods arising in the ordinary course of documentary credit transactions entered into in the ordinary course of trade;

(iv) a Security Interest created over shares and/or other securities acquired in accordance with the CTA held in any clearing system or listed on any exchange which arise as a result of such shares and/or securities being so held in such clearing system or listed on such exchange as a result of the rules and regulations of such clearing system or exchange;

(v) a Security Interest approved by the Security Trustee, the holder of which has become a party to the STID;

(c) created by AWL which is:

(i) a Security Interest over or affecting any asset acquired on arm's length terms after the Initial Issue Date and subject to which such asset is acquired, if:

(A) such Security Interest was not created in contemplation of the acquisition of such asset;

(B) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by a member of the Financing Group; and

(C) unless such Security Interest falls within any of paragraphs (v) to (ix) below (A) such Security Interest is removed or discharged within 6 months of the date of acquisition of such asset; or (B) the holder thereof becomes party to the STID;

(ii) a Security Interest arising in the ordinary course of business and securing amounts not more than 90 days overdue or if more than 90 days overdue, the original deferral was not intended to exceed 90 days and such amounts are being contested in good faith;

(iii) a Security Interest arising under or contemplated by any Finance Leases or Existing Finance Leases, hire purchase agreements, conditional sale agreements or other agreements for the acquisition of assets on deferred purchase terms where the counterparty becomes party to the STID;

(iv) a right of set off existing in the ordinary course of trading activities between AWL and its suppliers or customers (including, but not limited to any existing or future bulk water supply contracts, or any existing or future gas or electricity supply contracts);

(v) a Security Interest arising on rental deposits in connection with the occupation of leasehold premises in the ordinary course of business;

(vi) any retention of title arrangements entered into by AWL in the ordinary course of business;

(vii) a Security Interest pursuant to any purchase or leasing of vehicles by AWL;

(viii) the Legacy Chertsey Security; or

(ix) in addition to any Security Interests subsisting pursuant to the above any other Security Interests provided that the aggregate principal amount secured by such Security Interests does not at any time exceed the greater of (i) 0.25 per cent. of RCV; or (ii) £2,500,000 (indexed) (or its Equivalent Amount),

to the extent and for so long, in each case, as the creation or existence of such Security Interest would not contravene the terms of the Instrument of Appointment, the WIA or any requirement under the Instrument of Appointment or the WIA.

"**Permitted Share Pledge Acceleration**" has the meaning given to such term in clause 14.9 (*Permitted Share Pledge Acceleration*) of the STID.

"**Permitted Subsidiary**" means:

(a) the Programme Issuer, the Existing Issuer and (for so long as they remain dormant companies) the Existing Dormant Subsidiaries; and

(b) any other Subsidiary of AWL from time to time (including a Permitted Additional Issuer Subsidiary) which is:

(i) established by AWL; or

(ii) acquired by AWL pursuant to a Permitted Acquisition and is notified in writing to the Security Trustee prior to the date of such Permitted Acquisition,

provided that, in each case, on or prior to such establishment or acquisition such Permitted Subsidiary has acceded to the CTA, the STID, the MDA, the Security Agreement, the Bond Trust Deed, the Dealership Agreement, the Agency Agreement, the Account Bank Agreement and the Tax Deed of Covenant as an Obligor in accordance with the provisions of the STID and has satisfied the conditions to such accession as set out in the STID.

"**Permitted Tax Loss Transaction**" means any surrender of tax losses or agreement relating to a Tax benefit or relief (including, for the avoidance of doubt, an election under section 171A or 179A of the Taxation of Chargeable Gains Act 1992 and an exemption of financing income pursuant to Part 7 of the Taxation (International and Other Provisions) Act 2010) or any other agreement relating to Tax (including, for the avoidance of doubt, the payment of any balancing payment pursuant to and in accordance with the provisions of Chapter 6 of Part 4 of the Taxation (International and Other Provisions) Act 2010) between:

(a) two Obligors where neither is the Programme Issuer; or

(b) an Obligor other than the Programme Issuer and any other member of the Affinity Group (not being an Obligor),

in either case in accordance with the provisions set out in the Tax Deed of Covenant.

"**Permitted Volume Trading Arrangements**" means contracts entered into by any member of the Affinity Group or any Associate thereof (which, in each case, is not a member of the Financing Group) with suppliers for the supply of goods and services to the Financing Group on terms that discounts are available as a result of such arrangements, provided that any Obligor making use of such arrangements will reimburse the relevant member of the Affinity Group or Associate for any Financial Indebtedness by way of amounts

payable by such member of the Affinity Group or Associate to such supplier as a result of such Obligor making use of such arrangements.

"**Potential Event of Default**" means (other than in any Hedging Agreement, where "Potential Event of Default" has the meaning given to it in that Hedging Agreement) an event which would be (with the expiry of a grace period, the giving of notice or the making of any determination under the Finance Documents or any combination of them) an Event of Default.

"**Potential Trigger Event**" means any event which would (with the expiry of any relevant grace period or the giving of notice or any combination thereof) if not remedied or waived become a Trigger Event.

"**pounds**" means the lawful currency of the United Kingdom.

"**Preceding Business Day Convention**" has the meaning given to it in Condition 6(f) (*Business Day Convention*).

"**Pre-Test Period**" means the period from the Initial Issue Date up to 31 March 2013.

"**Principal Amount Outstanding**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**Principal Paying Agent**" means Deutsche Bank AG, London Branch under the Agency Agreement, or its successors thereto.

"**Proceeds**" means the aggregate of all receipts or recoveries by the Security Trustee pursuant to, or upon enforcement of, any of the Rights (including pursuant to clause 14.6 (*Receipts Held in Trust*) of the STID) relating to the Security after deducting (to the extent not already deducted or retained prior to such receipt or recovery by the Security Trustee) all sums which the Security Trustee is required under the Finance Documents or by applicable law to pay to any other person before distributing any such receipts or recoveries to any of the Secured Creditors.

"**Procurement Plan**" means the procurement plan (if any) prepared and amended from time to time by AWL in accordance with its obligations under the Instrument of Appointment after notifying the Security Trustee and consulting with the Security Trustee.

"**Professional Securities Market**" means the London Stock Exchange's Professional Securities Market, which is not a regulated market under the Market in Financial Instruments Directive.

"**Programme**" means the £2,500,000,000 guaranteed bond programme established by the Programme Issuer admitted to the Official List and to the London Stock Exchange.

"**Programme Issuer**" means Affinity Water Finance PLC, a company incorporated with limited liability in England and Wales, registered number 11674789.

"**Programme Issuer DSR Proportion**" means a proportion of the Class A Required Balance attributable to the Programme Issuer in such allocations as AWL shall determine.

"**Programme Issuer/AWL Loan Agreement**" means any loan agreement entered into between the Programme Issuer as lender and AWL as borrower.

"**Projected Operating Expenditure**" means, at any time, the operating expenditure projected in the operating budget for the Test Period in which such date falls.

"**Proposed Payment Amount**" has the meaning given to it in Paragraph 37.1.2(c)(ii) (*Restricted Payments*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

"**Prospectus Directive**" means Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading, as amended.

"**Prospectus**" means any prospectus prepared by or on behalf of, and approved by, the Programme Issuer in connection with the establishment of the Programme and/or the issue of the Bonds, information memorandum or prospectus prepared by or on behalf of and approved by the Programme Issuer in connection with the general syndication in the interbank market of any Authorised Credit Facility.

"**Protected Land**" means (as the term is defined in the WIA), in relation to a Regulated Company any land which, or any interest or right in or over land which:

(a) was transferred to that company in accordance with a scheme under Schedule 2 to the Water Act 1989 or, where that company is a statutory water company (as defined in Section 219 of the WIA), was held by that company at any time during the financial year ended 31 March 1990;

(b) is or has at any time on or after 1 September 1989 been held by that company for purposes connected with the carrying out of its functions as a water undertaker; or

(c) has been transferred to that company in accordance with a scheme under Schedule 2 to the WIA from another company in relation to which that land was protected when the other company held an Instrument of Appointment,

as such definition may be amended by statute or law.

"**Public Procurement Rules**" means public procurement rules of the United Kingdom (including the Utilities Contracts Regulations SI 2006/06 (as amended)) and of the European Communities (including Directive 2004/17/EC as amended) affecting the water sector and including any jurisprudence of the courts of the United Kingdom and of the European Communities and decisions of the European Commission in respect of such rules.

"**Qualifying Bondholder**" means, for so long as Qualifying Class A Debt remains outstanding, the holders of each Class and/or Sub-Class of the Class A Bonds or, following repayment in full of the Qualifying Class A Debt and for so long as Qualifying Class B Debt remains outstanding, the holders of each Class and/or Sub-Class of Class B Bonds.

"**Qualifying Class A Creditor**" means the following Class A Creditors:

(a) in respect of a Class and/or Sub-Class of Class A Bonds, the Bondholders;

(b) the Existing Issuer Bondholders;

(c) the Revolving Credit Facility Providers;

(d) in respect of any other Authorised Credit Facility for Class A Debt, the Authorised Credit Providers under such Authorised Credit Facility; and

(e) in respect of a Finance Lease designated as Class A Debt, the Finance Lessor under such Finance Lease,

provided that no Liquidity Facility Provider or Hedging Counterparty shall be a Qualifying Class A Creditor.

"**Qualifying Class A Debt**" means the aggregate Outstanding Principal Amount of Class A Debt provided by a Qualifying Class A Creditor.

"**Qualifying Class B Creditor**" means the following Class B Creditors:

(a) in respect of a Sub-Class of Class B Bonds, the relevant Bondholders;

(b) in respect of any other Authorised Credit Facility for Class B Debt, the Authorised Credit Providers under such Authorised Credit Facility; and

(c) in respect of a Finance Lease designated as Class B Debt, the Finance Lessor under such Finance Lease,

provided that no Liquidity Facility Provider or Hedging Counterparty shall be a Qualifying Class B Creditor.

"**Qualifying Class B Debt**" means the aggregate Outstanding Principal Amount of Class B Debt provided by a Qualifying Class B Creditor.

"**Qualifying Debt**" means the aggregate of the Qualifying Class A Debt or following the repayment in full of the Qualifying Class A Debt, the Qualifying Class B Debt.

"**Qualifying Existing Bondholders**" means, for so long as Qualifying Class A Debt remains outstanding, the holders of the Existing Issuer Bonds.

"**Qualifying Secured Creditor**" means a Qualifying Class A Creditor or, following the repayment in full of the Qualifying Class A Debt, a Qualifying Class B Creditor and "**Qualifying Secured Creditors**" means the Qualifying Class A Creditors or, following the repayment in full of the Qualifying Class A Debt, the Qualifying Class B Creditors.

"**Qualifying Secured Debt**" means the aggregate of the Qualifying Class A Debt and the Qualifying Class B Debt.

"**Quorum Requirement**" has the meaning given to it in the STID.

"**Rating Agencies**" means Moody's, S&P and Fitch (to the extent the Fitch Appointment Right has been exercised by the Transaction Agent) and any further or replacement rating agency appointed by the Programme Issuer or the Existing Issuer with the approval of the Security Trustee (acting upon the instructions of the Majority Creditors in accordance with the terms of the STID) pursuant to a STID Proposal to provide a credit rating or ratings for the Class A Debt and the Class B Debt for so long as they are willing and able to provide credit ratings generally (and "**Rating Agency**" means any one of them).

"**Rating Requirement**" means confirmation from any two Rating Agencies or, where expressly stated, all Rating Agencies then rating the Class A Bonds and the Existing Issuer Bonds that, in respect of any matter where such confirmation is required, the credit rating of the Class A Bonds and the Existing Issuer Bonds is BBB by S&P, Baa2 by Moody's and (to the extent the Fitch Appointment Right has been exercised by the Transaction Agent) BBB by Fitch or above.

"**RCV**" means Base RCV including, if relevant and without duplication, Replacement Value, as calculated in accordance with the following definitions and principles:

(i) "**Base RCV**" means, in relation to any date, the sum of the regulatory capital value of assets governed by a RCV Price Control Mechanism within and outside wholesale price control for such date as last determined by Ofwat (excluding any draft determination of the regulatory capital value by Ofwat) as reflected at the most recent Definitive Notification. The Base RCV shall be adjusted for Out-turn Inflation.

(ii) "**Replacement Value**" means, in relation to any date, the sum of all replacement values determined by AWL in accordance with the methodology agreed by the Security Trustee (acting on the instruction of the Majority Creditors) in relation to assets that support services and activities that are governed by a Different Price Control Mechanism. At the Initial Issue Date the Replacement Value was nil.

(iii) "**RCV Price Control Mechanism**" means a price control mechanism based on regulatory capital value.

(iv) "**Different Price Control Mechanism**" means any price control mechanism developed and implemented in the future by Ofwat other than the RCV Price Control Mechanism.

(v) "**Definitive Notification**" means a Periodic Review, interim determination of a price control or as stated in the most recent annual statement of regulatory capital values issued by Ofwat to all regulatory directors of water and sewerage companies and water only companies the annual RCV update (the "**Annual RCV Update**") or any other procedure through which in future Ofwat may make such determination on an equally definitive basis to that of a Periodic Review, interim determination of a price control or Annual RCV Update (interpolated as necessary and adjusted as appropriate for Out-turn Inflation). For the avoidance of doubt, any draft determination by Ofwat shall not constitute a Definitive Notification.

"**RCV Depreciation**" means, in relation to any period of time, the "total RCV run-off" (or other term(s) used to mean the depreciation charges applicable to the RCV) in respect of such period (interpolated as necessary for Out-turn Inflation) as last determined and notified to AWL by Ofwat at the most recent

Periodic Review or other procedure through which from time to time Ofwat may make such determination on an equally definitive basis to that of such a Periodic Review.

"**Receipt**" means a receipt attached on issue to a Definitive Bond redeemable in instalments for the payment of an instalment of principal such receipt being in the form or substantially in the form set out in Part D (*Form of Receipt*) of Schedule 2 (*Forms of Global and Definitive Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed or in such other form as may be agreed between the Programme Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and includes any replacements for Receipts or Talons issued pursuant to Condition 14 (*Replacement of Bonds, Coupons, Receipts and Talons*).

"**Receiptholders**" means the persons who are for the time being holders of the Receipts.

"**Record Date**" means has the meaning given to it in Condition 9(b) (*Registered Bonds*).

"**Recurring Fees**" means any scheduled fees and commissions payable under an Authorised Credit Facility which are calculated by reference to the costs and expenses of the relevant Authorised Credit Provider properly incurred in the provision and maintenance of such Authorised Credit Facility (excluding upfront fees and commissions and renewal fees and commissions).

"**Redemption Amount**" means the amount provided under Condition 8(d) (*Optional Redemption*), unless otherwise specified in the relevant Final Terms.

"**Reference Bank**" has the meaning given to that term in the relevant Finance Document, provided that if no Reference Bank is specified in the relevant Finance Document, the Reference Bank shall be Barclays Bank PLC or any other two reference banks.

"**Reference Date**" has the meaning given to it in Condition 8(d) (*Optional Redemption*).

"**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms for so long as such stock is in issue, and thereafter (or if not specified in the relevant Final Terms) 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 and indexation terms most closely matches that of the Bonds as a gilt-edged market maker or the Indexation Adviser shall determine to be appropriate, provided that if no such index-linked sterling obligation exists which has the same indexation terms, the Indexation Adviser shall consider obligations with the most economically similar indexation terms.

"**Register**" means a register of the Bondholders of a Class and/or Sub-Class of Registered Bonds.

"**Registered Bonds**" means those of the Bonds which are for the time being in registered form.

"**Registered Global Bond**" has the meaning given to it in the Conditions and the Bond Trust Deed.

"**Registrar**" means Deutsche Bank Luxembourg S.A. as registrar under the Agency Agreement and any other entity appointed as a registrar under the Agency Agreement.

"**Regulated Company**" means a company appointed as a water undertaker or a water and sewerage undertaker under section 6 of the WIA.

"**Relevant Change of Circumstances**" has the meaning given to it in the licence of each Regulated Company.

"**Relevant Currency**" means the currency specified as such or, if none is specified, the currency in which the Bonds are denominated.

"**Relevant Date**" has the meaning set out in Condition 6(l) (*Definitions*).

"**Relevant Dealer**" means, in relation to the Initial Issue Date, the Arranger, and in relation to a Relevant Subscription Agreement which is made between the Programme Issuer and more than one Dealer after the Initial Issue Date, the institution specified as such in the relevant Final Terms and/or in such Relevant Subscription Agreement; and, in relation to a Relevant Subscription Agreement which is made between the Programme Issuer, AWL, AWHL and a single Dealer, such Dealer.

"**Relevant Inflation Rate**" has the meaning given to it in Paragraph 11 (*Financial Indebtedness*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

"**Relevant Financial Centre**" means, with respect to any Bond, the financial centre specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable).

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

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

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

"**Relevant Rate**" means the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the relevant Final Terms).

"**Relevant Screen Page**" means EURIBOR or SONIA, as applicable.

"**Relevant Subscription Agreement**" means an agreement between, among others, each Obligor and any Dealer(s) for the sale by the Programme Issuer and the purchase or, as the case may be, subscription as principal by such Dealer(s) (or on such other basis as may be agreed between the Obligors and the relevant Dealer(s) at the relevant time) of any Bonds, including any agreement in the form or based on the form set out in Schedule 7 (*Pro Forma Subscription Agreement*) to the Dealership Agreement.

"**Relevant Divisions**" means the following sections of the AWPP:

(a) the Affinity Water Pension Plan – Defined Benefit Division; and

(b) the Affinity Water Pension Plan – Defined Contribution Division;

"**Relevant Termination Date**" shall have the meaning given to it in Paragraph 11 (*Financial Indebtedness*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

"**Remedial Plan**" means any remedial plan agreed by AWL and the Security Trustee under Part 2 (*Trigger Event Consequences*) of Schedule 5 (*Trigger Events*) to the CTA.

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre.

"**Remedy Period**" means:

(a) in relation to each Obligor, unless otherwise set out under paragraph (b) below in relation to AWHL, for any failure duly to perform or comply with any of the:

  (i) 20 Day Obligations, the period expiring 20 days after the Remedy Start Date;

  (ii) 60 Day Obligations, the period expiring 60 days after the Remedy Start Date (subject to paragraph (v) below);

  (iii) 90 Day Obligations, the period expiring 90 days after the Remedy Start Date (subject to paragraph (v) below);

  (iv) 180 Day Obligations, the period expiring 180 days after the Remedy Start Date;

(v) for:

(A) any other failure duly to perform or comply with any other obligation (including, for the avoidance of doubt, Paragraph 28 (*Credit Rating*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA); and

(B) any failure duly to perform or comply with any 60 Day Obligation or 90 Day Obligation where such failure has a Material Adverse Effect (notwithstanding sub-paragraphs (ii) and (iii) above),

the period expiring 30 Business Days after the Remedy Start Date; and

(b) in relation to AWHL, any failure duly to perform or comply with any of the obligations contained in:

(i) Paragraph 1 (*Restricted Business of AWHL*);

(ii) Paragraph 10 (*Disposals*);

(iii) Paragraph 12 (*Mergers*);

(iv) Paragraph 17 (*Cash Management*);

(v) Paragraph 20 (*Treasury Transactions*);

(vi) Paragraph 22 (*Share capital*);

(vii) Paragraph 24 (*Structure of the Financing Group*);

(viii) Paragraph 27 (*Non-Executive directors*);

(ix) Paragraph 29 (*Arm's length terms*); and

(x) Paragraph 34 (*Litigation*),

in each case of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA, the period expiring seven days after the Remedy Start Date.

For the purposes of this definition:

(a) "**20 Day Obligations**" means:

(i) Paragraph 11 (*Financial Indebtedness*),

(ii) Paragraph 13 (*Acquisitions and Investments*); and

(iii) Paragraph 16 (*Loans and Credit*),

in each case of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

(b) "**60 Day Obligations**" means:

(i) Paragraph 1 (*Financial Statements*);

(ii) Paragraph 4 (*Auditors' Review*);

(iii) Paragraph 5 (*Investor Report*); and

(iv) Paragraphs 7(a), (d) or (e) (*Information - miscellaneous*),

in each case of Part 1 (*Information Covenants*) of Schedule 4 (*Covenants*) to the CTA; and

(i) Paragraph 7 (*Compliance with laws and Instrument of Appointment*);

(ii) Paragraph 8 (*Ranking of Secured Claims*);

(iii) Paragraph 20 (*Treasury Transactions*);

(iv) Paragraph 23 (*Intellectual Property*);

(v) Paragraph 29 (*Arm's length terms*);

(vi) Paragraph 31 (*Accounting*); and

(vii) Paragraph 32 (*Further assurance*),

in each case of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

(c) "**90 Day Obligations**" means:

(i) Paragraph 6 (*AWL Information*) of Part 1 (*Information Covenants*) of Schedule 4 (*Covenants*) to the CTA; and

(ii) (prior to a Trigger Event) Paragraph 49 (*Assistance with Syndication*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

(d) "**180 Day Obligations**" means:

(i) Paragraph 5(b) (*Operation of business*); and

(ii) Paragraph 50 (*Pension Arrangements*)

in each case of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA.

(e) "**Remedy Start Date**" means the earlier to occur of (i) the date on which the Security Trustee has given notice of the relevant non-compliance to AWL; and (ii) the date on which AWL becomes aware of the non-compliance.

"**Rental**" means any scheduled payment of rental, periodic charge or equivalent sum under a Finance Lease.

"**Rental Payment Date**" means any date on which Rental is scheduled to be paid under any Finance Lease.

"**Rental Period**" means, in respect of a Finance Lease, each period falling between two consecutive Rental Payment Dates under such Finance Lease.

"**Repeated Representations**" means:

(a) all the representations set out in Schedule 2 (*General Representations*) to the CTA other than Paragraphs 6 (*Validity and admissibility in evidence*), 7 (*Authorisations*), 11 (*No deduction or withholding*), 15 (*Ownership*), 16 (*Status of security*), 22 (*Taxation*), 24 (*Ranking of Secured Claims*), 25 (*Negative pledge*), 26 (*Financial Indebtedness*), 27 (*Loans and Credit*), 28 (*Treasury Transactions*), 29 (*Arm's length terms*) and 30 (*Bonds and Existing Issuer Bonds valid and binding*); and

(b) the representations set out in Paragraphs 1 (*Intellectual Property*) and 3 (*Special Administration*) of Schedule 3 (*AWL Representations*) to the CTA;

"**Reporter**" means the reporter appointed by AWL in accordance with Instrument of Appointment Conditions B and C.

"**Reporting Accountants**" means PricewaterhouseCoopers LLP, of 40 Clarendon Road, Watford, Hertfordshire, WD17 1JJ. This definition is for the purposes of this Prospectus only and is separate to such defined term set out in the MDA.

"**Representative Amount**" means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Final Terms as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

"**Request**" means a request for utilisation of any Authorised Credit Facility.

"**Required Balance**" means, on any Payment Date, the aggregate of the Class A Required Balance and the Class B Required Balance.

"**Reservations**" means any qualifications as to law but not as to facts to the legal opinions which were delivered on or before the Initial Issue Date and which qualify certain representations, covenants and events of default contained in the CTA.

"**Reserved Matters**" means the Secured Creditors Reserved Matters, the Security Trustee Reserved Matters, the Bond Trustee Reserved Matters, the Existing Issuer Bond Trustee Reserved Matters and the Hedging Counterparty Reserved Matters provided by the terms of clause 8.16 (*Procedure for Reserved Matters*) of the STID and Schedule 3 (*Reserved Matters*) to the STID.

"**Restricted Chargors**" means AWL, the Programme Issuer, the Existing Issuer and any other entity which accedes to the Security Agreement pursuant to clause 22.3 (*Further subsidiaries*) of the Security Agreement that is restricted by its regulatory or statutory obligations from providing guarantees and/or security.

"**Restricted Payment**" means any Distribution, Deferral of K, or any payment under the Subordinated Debt other than:

(a) any payment under any Authorised Credit Facility in accordance with the provisions of the CTA and the STID;

(b) any payment under any Shared Services Agreement and/or Transitional Agreement;

(c) a Distribution or payment made under a Permitted Tax Loss Transaction;

(d) any Permitted Post Closing Event;

(e) any Intra-Group Debt Service Distribution;

(f) any Distribution or any payment under Subordinated Debt required to finance a Permitted Legacy Payment;

(g) any Distribution or any payment in connection with the Ardleigh Arrangement or the Grafham Water Arrangement; or

(h) any Distribution or any payment to Affinity Water Pension Trustees Limited or its successors in connection with a Permitted Existing Pension Scheme.

"**Restricted Payment Condition**" means each of the conditions in paragraph 37 (*Restricted Payments*) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*) to the CTA which must be satisfied or waived by the Security Trustee before a Restricted Payment may be made by the Programme Issuer, the Existing Issuer or AWL.

"**Restricted Secured Liabilities**" means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Restricted Chargor to any Secured Creditor under each Finance Document to which such Restricted Chargor is a party.

"**Retail Price Index**" or "**RPI**" means the all-items retail prices index for the United Kingdom published by the Office for National Statistics (January 1987 = 100) or at any future date (except in the case of an RPI Linked Hedging Agreement), such other index of retail prices as may have then replaced it for the purposes of Ofwat's determination of price limits for water services or (in the case of an RPI Linked Hedging Agreement) such other index of retail prices as specified in such RPI Linked Hedging Agreement.

"**Revolving Credit Facility**" means the £60 million revolving credit facility provided to AWL by Barclays Bank PLC and the £40 million revolving credit facility provided to AWL by Lloyds Bank plc and any other revolving credit facility entered into from time to time by AWL to fund AWL's working capital requirements.

"**Revolving Credit Facility Agreements**" means:

(a) the £60 million revolving credit facility dated 14 July 2015 (as amended from time to time) between AWL as borrower and guarantor, AWHL as guarantor, the Programme Issuer as guarantor, the Existing Issuer as guarantor and Barclays Bank PLC as lender and agent; and

(b) the £40 million revolving credit facility dated 14 July 2015 (as amended from time to time) between AWL as borrower and guarantor, AWHL as guarantor, the Programme Issuer as guarantor, the Existing Issuer as guarantor and Lloyds Bank plc as lender and agent.

"**Revolving Credit Facility Providers**" means Barclays Bank PLC and Lloyds Bank plc.

"**Rights**" means all rights vested in the Security Trustee by virtue of, or pursuant to, its holding the interests conferred on it by the Security Documents or under the Ancillary Documents and all rights to make demands, bring proceedings or take any other action in respect of such rights.

"**Rolling Average Period**" means on each Calculation Date the Test Period ending on 31 March that falls in the same calendar year as that Calculation Date and the next subsequent two consecutive Test Periods, save that, where the test comes to be calculated at a time when information is not available in respect of any forward looking Test Period (as a result of Ofwat's determination of price limits for a Periodic Review not having been published in draft or final form) then such Rolling Average Period will be the three 12 month periods which run consecutively backwards and/or forwards from such Calculation Date for which such information is available for the last Test Period in such calculation.

"**RPI Linked Hedging Agreement**" means a Hedging Agreement with a Hedging Counterparty in respect of one or more Treasury Transactions to hedge payments to be made by the Programme Issuer, the Existing Issuer or, as the case may be, AWL by reference to RPI.

"**Scheduled Debt Service**" has the meaning given to it in Paragraph 8.6.1 (*Debt Service Payment Account*) of Schedule 10 (*Cash Management*) to the CTA.

"**Screen Rate Determination**" has the meaning given to it in Condition 6(b) (*Interest on Floating Rate Bonds*).

"**Secretary of State for the Environment**" means His Majesty's Secretary of State for Environment, Food and Rural Affairs.

"**Secured Creditor**" means each of:

(a) the Security Trustee (in its own capacity and on behalf of the other Secured Creditors);

(b) the Bond Trustee (in its own capacity and on behalf of the Bondholders);

(c) the Existing Issuer Bond Trustee (in its own capacity and on behalf of the Existing Issuer Bondholders);

(d) the Bondholders;

(e) the Existing Issuer Bondholders;

(f) the Finance Lessors;

(g) the Hedging Counterparties;

(h) the Programme Issuer;

(i) the Existing Issuer;

(j) the Account Bank;

(k) the Liquidity Facility Agents;

(l) each Facility Agent under each Authorised Credit Facility;

(m) the Revolving Credit Facility Providers;

(n) the Liquidity Facility Providers;

(o) each other Authorised Credit Provider;

(p) the Cash Manager (other than where the Cash Manager is AWL);

(q) the Standstill Cash Manager;

(r) each Agent; and

(s) any other Additional Secured Creditors.

"**Secured Creditor Representative**" means:

(a) for each Qualifying Class A Creditor or Qualifying Class B Creditor, the relevant DIG Representative of such Secured Creditor;

(b) for each Hedging Counterparty (whether or not a Qualifying Class A Creditor or a Qualifying Class B Creditor), the relevant Hedging Counterparty;

(c) for each of the Programme Issuer and the Existing Issuer in respect of the Programme Issuer/AWL Loan Agreements and the Existing Issuer/AWL Loan Agreements respectively, the Security Trustee (acting on behalf of the Programme Issuer and the Existing Issuer, respectively);

(d) for each Liquidity Facility Provider, the Facility Agent under the relevant Liquidity Facility Agreement; and

(e) for each other Secured Creditor, the relevant Secured Creditor.

"**Secured Creditor Reserved Matters**" means those matters set out in Part A (*Reserved Matters of Secured Creditors and/or Secured Creditor Representatives*) of Schedule 3 (*Reserved Matters*) to the STID.

"**Secured Liabilities**" means the Restricted Secured Liabilities and the Unrestricted Secured Liabilities.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

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

"**Security Agreement**" means the deed of charge and guarantee executed in favour of the Security Trustee by each of the Obligors on the Initial Issue Date.

"**Security Assets**" means all property, assets, rights and undertakings the subject of the security created by the Obligors on the Initial Issue Date.

"**Security Documents**" means:

(a) the Security Agreement;

(b) the STID, any deed of accession thereto and any deed supplemental thereto; and

(c) any other document evidencing or creating security over any asset of an Obligor to secure any obligation of any Obligor to a Secured Creditor under the Finance Documents.

"**Security Interest**" means:

(a) any mortgage, pledge, lien, charge, assignment or hypothecation or other encumbrance securing any obligation of any person;

(b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

(c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

"**Security Trustee**" means Deutsche Trustee Company Limited or any successor appointed pursuant to the STID.

"**Security Trustee Reserved Matters**" means those matters set out in Part B (*Security Trustee Reserved Matters*) of Schedule 3 (*Reserved Matters*) to the STID.

"**self-lay**" means the method of introducing competition by facilitating developers, or their contractors, to provide new water mains and service pipes instead of asking Regulated Companies to do the work.

"**Senior Adjusted ICR**" means, in respect of a Test Period, the ratio of Net Cash Flow less the aggregate of CCD and IRC during such Test Period to Senior Debt Interest during such Test Period.

"**Senior Average Adjusted ICR**" means the sum of the ratios of Net Cash Flow less the aggregate of CCD and IRC to Senior Debt Interest for each of the Test Periods comprised in a Rolling Average Period divided by three.

"**Senior Debt**" means all Class A Debt and Class B Debt and any other Financial Indebtedness ranking in priority to Subordinated Debt of any member of the Financing Group.

"**Senior Debt Interest**" means, in relation to any Test Period, without double counting, interest on Financial Indebtedness designated as Senior Debt (including interest accreted by indexation of interest on any Indexed Bonds that constitute Senior Debt but excluding accretions by indexation to the principal on any Indexed Bonds designated as Senior Debt and accretions by indexation to the notional amount under any RPI Linked Hedging Agreement designated as Senior Debt),

plus

(a) Recurring Fees in respect of Financial Indebtedness designated as Senior Debt;

(b) Net cash flow under all Interest Rate Hedging Agreements (excluding accretion by indexation to the notional amount);

(c) Adjusted Lease Reserve Amounts or Lease Reserve Amounts paid, due but unpaid, or payable (as the case may be) designated as Senior Debt; and

(d) interest in respect of unsecured Financial Indebtedness,

excluding

A all fees other than Recurring Fees;

B amortisation of the costs of issue of such Senior Debt;

C any Permitted Legacy Payment;

less

all interest received or, receivable (as the case may be), by any member of the Financing Group from a third party during such period (excluding any interest received or receivable by the Obligors under any Intra-Group Loan or any loan or other forms of Financial Indebtedness to Affiliates but including any interest received from any Senior Debt held by an Obligor); provided that in each case that in respect of a future Test Period (or part of a Test Period) such amounts shall be based on anticipated amounts as shown in the AWL Business Plan.

"**Senior Net Indebtedness**" means, as at any date, the aggregate of the Financing Group's nominal Financial Indebtedness outstanding (or, in respect of a future date, forecast to be outstanding) on such date under and in connection with any Senior Debt together with all indexation accrued on such liabilities which are indexed:

(a) including:

(i) accretions to the principal of any Indexed Bonds that constitute Senior Debt and accretions by indexation to the notional amount under any RPI Linked Hedging Agreement; and

(ii) the nominal amount of any Financial Indebtedness pursuant to paragraph (e) of the definition of Permitted Financial Indebtedness (such paragraph in relation to unsecured Financial Indebtedness) and paragraph (k) (*Legacy Debenture Stock*) of the definition of Permitted Financial Indebtedness; and

(b) excluding:

(i) any uncrystallised mark to market amount relating to any Hedging Agreement; (other than Hedging Agreements having the commercial effect of annuity payments); and

(ii) Financial Indebtedness outstanding under any Intra-Group Loans,

less: the value of all Authorised Investments of the Financing Group and other amounts standing to the credit of any Account (other than any Excluded Accounts and other than an amount equal to the aggregate of any amounts which represent Deferrals of K or Distributions which have been declared but not paid on such date),

provided that, in each case above, where such debt is denominated other than in pounds sterling, the nominal amount outstanding will be calculated:

(a) in respect of debt with an associated Currency Hedging Agreement, by reference to the applicable hedging rates specified in the relevant Currency Hedging Agreement; and

(b) in respect of debt with no associated Currency Hedging Agreement, by reference to the Exchange Rate on such date.

"**Senior RAR**" means, on any Calculation Date, the ratio of Senior Net Indebtedness to RCV as at such Calculation Date or, in the case of any forward-looking ratios for Test Periods ending after such Calculation Date, as at the 31 March falling in such Test Period.

"**Series**" means a series of Bonds issued under the Programme on a particular Issue Date, together with any Tranche or Tranches of Bonds which are expressed to be consolidated and form a single Class and/or Sub-Class with any previously issued Class and/or Sub-Class.

"**Share Pledges**" means the pledges, charges or equitable mortgages (as the case may be) dated on the Initial Issue Date, in favour of the Security Trustee, over the shares in AWL, the Programme Issuer and the Existing Issuer and "**Share Pledge**" means any one of them.

"**Shared Services Agreement**" means

(a) the services agreement between AWL and AWSS dated 16 July 2009;

(b) the services agreement originally between AWE and AWSS dated 16 July 2009 and transferred from AWE to AWL pursuant to the unification of the businesses of AWE, AWSE and AWL;

(c) the services agreement originally between AWSE and AWSS dated 16 July 2009 and transferred from AWSE to AWL pursuant to the unification of the business of these entities,

pursuant to which certain services are provided by AWSS to AWL.

"**Shipwreck Clause**" means a clause which may be contained in the Instrument of Appointment of a Regulated Company and which in the case of AWL is contained in Part IV of Instrument of Appointment Condition B, pursuant to which the Regulated Company may, if so permitted by the conditions of its Instrument of Appointment, request price limits to be reset if the Appointed Business either (i) suffers a substantial adverse effect which could not have been avoided by prudent management action or (ii) enjoys a substantial favourable effect which is fortuitous and not attributable to prudent management action.

"**Shortfall Paragraph**" has the meaning given to such term in Paragraph 8.8(c) (*Debt Service Payment Account*) of Schedule 10 (*Cash Management*) to the CTA.

"**SIM**" means Service Incentive Mechanism.

"**SONIA**" means the Sterling Overnight Index Average, which is provided by the Bank of England.

"**Special Administration**" means the insolvency process specific to Regulated Companies under Sections 23 to 26 of the WIA.

"**Special Administration Order**" means an order of the High Court under Sections 23 to 25 of the WIA under the insolvency process specific to Regulated Companies.

"**Special Administration Petition Period**" means the period beginning with the presentation of the petition for Special Administration under Section 24 of the WIA and ending with the making of a Special Administration Order or the dismissal of the petition.

"**Special Administrator**" means the person appointed by the High Court under Sections 23 to 25 of the WIA to manage the affairs, business and property of the Regulated Company during the period in which the Special Administration Order is in force.

"**Specified Denomination**" means denomination to be specified in the Final Terms.

"**Specified Duration**" means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period.

"**Specified Interest Payment Date**" means the date(s) specified as such in the relevant Final Terms.

"**Specified Period**" means the period(s) specified as such in the relevant Final Terms.

"**Standard & Poor's**" or "**S&P**" means S&P Global Ratings UK Limited or any successor to the rating business of S&P Global Ratings UK Limited.

"**Standby Drawing**" means a drawing made under a Liquidity Facility Agreement as a result of a downgrade of a Liquidity Facility Provider below the LF Provider Minimum Rating or in the event that the Liquidity Facility Provider fails to renew its commitment on the expiry of the term of such Liquidity Facility Agreement.

"**Standstill**" means, as provided for in the STID, a standstill of claims of the Secured Creditors against AWL, the Programme Issuer and the Existing Issuer immediately upon notification to the Security Trustee of the occurrence of an Event of Default.

"**Standstill Cash Manager**" means Barclays Bank PLC in its capacity as Standstill Cash Manager under the CTA, or any successor Standstill Cash Manager appointed in accordance with Schedule 10 (*Cash Management*) to the CTA.

"**Standstill Extension**" means any of the periods for which a Standstill Period is extended in accordance with the STID.

"**Standstill Period**" means a period during which a standstill arrangement is subsisting, commencing on the date as determined by clause 16.1 (*Commencement of Standstill*) of the STID and ending on the date as determined by clause 16.4 (*Termination of Standstill*) of the STID.

"**Standstill Remedy**" shall have the meaning given to such term in sub-clause 16.4.1(c) (*Termination of Standstill*) of the STID.

"**Statutory Accounts**" means the statutory accounts which AWL is required to prepare in compliance with the Companies Act, as amended from time to time.

"**Sterling**" or "**sterling**" means the lawful currency of the United Kingdom.

"**STID**" means the security trust and intercreditor deed entered into on the Initial Issue Date as amended by the Master Implementation Deed between, among others, the Security Trustee, the Obligors, the Bond Trustee and the Existing Issuer Bond Trustee.

"**STID Direct Voting Matter**" means any Voting Matter (other than any STID Proposal that gives rise to an Entrenched Rights Matter) proposed via a STID Proposal and its accompanying STID Voting Request and/or proposed via a Direction Notice to Qualifying Bondholders and/or Qualifying Existing Bondholders.

"**STID Matter**" means a STID Proposal, an Instruction Notice and/or Direction Notice.

"**STID Proposal**" has the meaning given to such term in clause 8.1 (*Instigation of STID Proposal*) of the STID.

"**STID Voting Request**" has the meaning given to such term in the STID.

"**Stock Exchange**" means the London Stock Exchange or any other or further stock exchange(s) on which any Bonds and the Existing Issuer Bonds may from time to time be listed, and references in any Finance Document to the "relevant Stock Exchange" shall, in relation to any Bonds and the Existing Issuer Bonds, be references to the Stock Exchange on which such Bonds are, from time to time, or are intended to be, listed.

"**Sub-Class**" means a division of a Class.

"**Subordinated Authorised Loan Amounts**" means, in relation to any Authorised Credit Facility, the aggregate of any amounts payable by the Programme Issuer, the Existing Issuer or AWL to the relevant Authorised Credit Provider on an accelerated basis as a result of illegality (excluding accrued interest, principal and recurring fees and commissions) on the part of the Authorised Credit Provider or any other amounts not referred to in any other paragraph of the Payment Priorities.

"**Subordinated Creditor**" means any credit provider in respect of Subordinated Debt where such credit provider has acceded to the CTA and the STID in such capacity.

"**Subordinated Debt**" means any Financial Indebtedness incurred by AWHL that is fully subordinated, in a manner satisfactory to the Security Trustee, to the Senior Debt and where the relevant Subordinated Creditor has acceded to the CTA and the STID.

"**Subordinated Liquidity Facility Amounts**" means, in relation to any Liquidity Facility:

(a) the amount by which the amount of interest accruing at the Mandatory Cost Rate at any time exceeds the Mandatory Cost Rate on the date of the relevant Liquidity Facility Agreement; and

(b) the aggregate of any amounts payable by the Programme Issuer or the Existing Issuer to the relevant Liquidity Facility Provider in respect of its obligation to gross-up any payments made by it in respect of such Liquidity Facility or to make any payment of increased costs to such Liquidity Facility Provider (other than any such increased costs in respect of regulatory changes relating to capital adequacy requirements applicable to such Liquidity Facility Provider) or to amounts payable on an accelerated basis as a result of illegality (excluding accrued interest, principal and recurring fees and commissions) on the part of such Liquidity Facility Provider, or any other amounts not referred to in any other paragraph of the Payment Priorities.

"**Subordinated Step-up Fee Amounts**" means, in the case of Fixed Rate Bonds or Indexed Bonds, any amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms to be payable on such Bonds in excess of the initial margin as at the date on which such Bonds were issued and, in the case of Floating Rate Bonds, any amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms to be payable on such Bonds in excess of the initial margin on the Coupon on such Bonds as at the date on which such Bonds were issued.

"**Subscription Agreement**" means an agreement supplemental to the Dealership Agreement (by whatever name called) substantially in the form set out in Schedule 7 (*Pro Forma Subscription Agreement*) to the Dealership Agreement or in such other form as may be agreed between, among others, the Programme Issuer, the Existing Issuer and the Arranger or one or more Dealers (as the case may be).

"**Subsidiary**" means:

(a) a subsidiary within the meaning of section 1160 of the Companies Act 2006; and

(b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

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

"**Super-Senior Interest Rate Hedging Agreement**" means each Existing Hedging Agreement and each other Interest Rate Hedging Agreement designated as such in the relevant Accession Memorandum to the STID.

"**Super-Senior RPI Linked Hedging Agreement**" means each RPI Linked Hedging Agreement which is a Super-Senior Interest Rate Hedging Agreement.

"**Swap Collateral Account**" means each account of the Programme Issuer, the Existing Issuer or AWL, as the case may be, into which any collateral provided by a Hedging Counterparty shall be deposited upon the relevant trigger occurring for the provision of such collateral under the terms of the applicable Hedging Agreement.

"**T2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor or replacement for that system.

"**Talonholders**" means the several persons who are for the time being holders of the Talons.

"**Talons**" means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons or Receipts, as the case may be, appertaining to, the Definitive Bonds (other than Zero Coupon Bonds) such talons being in the form or substantially in the form set out in Part F (*Form of Talon*) of Schedule 2 (*Forms of Global and Definitive Bonds, Receipts, Coupons and Talons*) to the Bond Trust Deed or in such other form as may be agreed between the Programme Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 14 (*Replacement of Bonds, Coupons, Receipts and Talons*).

"**TARGET Settlement Day**" has the meaning given to such term in Condition 6(l) (*Definitions*).

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer system which utilises a single shared platform and which was launched on 19 November 2007.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions will be construed accordingly.

"**Tax Deed of Covenant**" means the deed of covenant entered into on the Initial Issue Date by, among others, the Security Trustee, the Parent and the Obligors.

"**TEFRA C Rules**" means United States Treasury Regulation §1.163-(c)(2)(i)(C). (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the United States Internal Revenue Code of 1986, as amended).

"**TEFRA D Rules**" means United States Treasury Regulation §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 United States Internal Revenue Code of 1986, as amended).

"**Temporary Global Bond**" means in relation to any Sub-Class of Bearer Bonds a temporary global bond in the form or substantially in the form set out in Part A (*Form of Temporary Global Bond*) of Schedule 2 (*Forms of Global and Definitive Bonds, Receipts, Coupons and Tables*) to the Bond Trust Deed together with the copy of the applicable Final Terms annexed thereto, with such modifications (if any) as may be agreed between the Programme Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Bearer Bonds of the same Tranche, issued by the Programme Issuer pursuant to the Dealership Agreement or any other agreement between the Programme Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed.

"**Test Period**" means:

(a) the period of 12 months ending on 31 March in the then current year;

(b) the period of 12 months starting on 1 April in the same year;

(c) each subsequent 12 month period up to the Date Prior; and

(d) if the Calculation Date falls within the 13 month period immediately prior to the Date Prior, the 12 month period from the Date Prior,

provided that for the Calculation Date falling on 31 March 2013 and 30 September 2013, the first Test Period shall be from 31 March 2013 to 31 March 2014, and **provided that**, for the Calculation Dates falling on 31 March 2015 and 30 September 2015, the first Test Period in respect of Conformed Class A Adjusted ICR, Conformed Senior Adjusted ICR, Conformed Class A Average Adjusted ICR and Conformed Senior Average Adjusted ICR only shall be 1 April 2015 to 31 March 2016, with, for the avoidance of doubt, all subsequent Test Periods following thereafter.

"**Threshold Class A RAR**" means 0.75:1.

"**Threshold Senior RAR**" means 0.85:1.

"**totex approach**" means the "total expenditure approach".

"**Tranche**" means all Bonds which are identical in all respects save for the Issue Date, Interest Commencement Date and Issue Price.

"**Transaction Account**" means the accounts of each of the Programme Issuer and the Existing Issuer entitled the "Transaction Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time.

"**Transaction Agent**" means AWL, acting as transaction agent for itself and (as applicable) for each other Obligor.

"**Transaction Documents**" means:

(a) a Finance Document; and

(b) any other document designated as such by the Security Trustee, the Programme Issuer and the Existing Issuer.

"**Transfer Agent**" means Deutsche Bank Luxembourg S.A. under the Agency Agreement, including any successors thereto.

"**Transitional Agreements**" means:

(a) the agreement for the provision of transitional services between VWC and Veolia Water UK plc (now Veolia Water UK Limited) dated 27 June 2012;

(b) the capability sharing agreement between Veolia Water Outsourcing Limited and AWL dated 27 June 2012; and

(c) the secondment agreement between AWL and Veolia Water UK plc (now Veolia Water UK Limited) dated 27 June 2012.

"**Transfer Scheme**" means a transfer scheme under Schedule 2 to the WIA.

"**Treasury Transaction**" means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, index-linked swap, currency swap or combined similar agreement.

"**Trigger Event**" means any of the events or circumstances identified as such in Schedule 5 (*Trigger Events*) to the CTA.

"**Trigger Event Ratio Levels**" means the financial ratios set out in Paragraph 1 (*Financial Ratios*) of Part 1 (*Trigger Events*) of Schedule 5 (*Trigger Events*) to the CTA.

"**Trustee Acts**" means the Trustee Act 1925 and the Trustee Act 2000 of England and Wales.

"**UK**" means the United Kingdom.

"**UK CRA Regulation**" means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as it forms part of domestic law by virtue of the EUWA.

"**U.S. dollar**", "**U.S.$**", "**dollar**" and "**$**" mean the lawful currency of the United States of America.

"**Ultimate Controller**" means any person (including, without limitation, a corporate body) who or which (alone or jointly with others and whether directly or indirectly) is (in the reasonable opinion of Ofwat) in a position to control, or to exercise material influence over, the policy or affairs of the regulated business or of any holding company of the regulated business.

"**Unrestricted Chargors**" means AWHL and other entities which accedes to the Security Agreement that is not restricted by its regulatory or statutory obligations from providing guarantees to any other entity and an "**Unrestricted Chargor**" means any of them.

"**Unrestricted Secured Liabilities**" means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each unrestricted Chargor to any Secured Creditor under each Finance Document to which such Chargor is a party.

"**VAT**" (a) in respect of any Finance Lease Document, has the meaning given thereto in such Finance Lease Document; and (b) otherwise, means (as applicable) (i) a Tax levied under the Value Added Tax Act 1994 (as amended, supplemented or replaced from time to time); (ii) within the European Union such Tax as may be levied in accordance with (but subject to derogations from) the Directive 2006/112/EC (as amended, supplemented or replaced from time to time) or (iii) outside the United Kingdom and European Union any similar Tax levied by reference to added value or sales.

"**Voted Qualifying Class A Debt**" means the aggregate Outstanding Principal Amount of Qualifying Class A Debt voted by the Class A DIG Representatives in accordance with the STID.

"**Voted Qualifying Class B Debt**" means the aggregate Outstanding Principal Amount of Qualifying Class B Debt voted by the Class B DIG Representatives in accordance with the STID.

"**Voting Matters**" are matters which are not Discretion Matters or Enhanced Rights Matters.

"**VWC**" means Veolia Water Central Limited.

"**WASC**" means water and sewerage companies.

"**Water Act**" means the Water Act 2003.

"**Water Framework Directive**" means the Directive 2000/60/EC of the European Parliament and of the Council establishing a framework for the Community action in the field of water policy.

"**Water Regulations**" means Water Supply (Water Quality) Regulations 2016.

"**WIA**" means the United Kingdom Water Industry Act 1991, as amended by subsequent legislation, including the Competition and Service (Utilities) Act 1992, the Water Industry Act 1999 and the Water Act.

"**WRA**" means the United Kingdom Water Resources Act 1991 as amended by subsequent legislation including the United Kingdom Environment Act 1995.

"**Written Off Book Debts**" means book debts which have been written off by AWL and have been or will be reflected as such in its Financial Statements in respect of the period in which the write-off occurred.

"**WSL**" means Water Supply Licensing.

"**WSRA**" means the Water Services Regulation Authority (WSRA, and otherwise known as Ofwat), the economic regulator of the water and sewerage industry in England and Wales and any relevant successor bodies to the Water Services Regulation Authority.

"**Zero Coupon Bond**" means a Bond specified as such in the relevant Final Terms and on which no interest is payable.

"**$**" means the lawful currency of the United States of America.

"**£**" means the lawful currency of the United Kingdom.

"**30/360**" has the meaning given to it in Condition 6(l) (*Definitions*).

"**30E/360 (ISDA)**" has the meaning given to it in Condition 6(l) (*Definitions*).

INDEX OF DEFINED TERMS

$ ..... ix, 326, 327
£ ..... ix, 327
€ ..... ix, 282
€STR 70
180 Day Obligations 316
20 Day Obligations 315
30/360 ..... 202, 327
30E/360 202
30E/360 (ISDA) 202, 327
60 Day Obligations 315
90 Day Obligations 316
accelerate 267
acceleration 267
Acceleration 267
Acceleration of Liabilities 267
Accession Memorandum 267
Account 267
Account Bank 21, 267
Account Bank Agreement 182, 267
Accountholder 234
Accounts 165
Act 187
ACTS 77
Actual/360 ..... 202, 267
Actual/365 (Fixed) 202, 267
Actual/Actual (ICMA) 201, 267
Actual/Actual (ISDA) 201, 267
Additional Secured Creditor 267
Adjusted Lease Reserve Amount 267
Adjustment Spread 200, 268
AFBRL 268
Affected Liquidity Facility Provider 175
Affected Payment Date 211
Affected Secured Creditor 268
Affiliate 206, 268
Affinity Group 268
Affinity Water Green Finance Framework ... 249
Affinity Water Green Finance Framework ... 268
Agency Agreement 181, 268
Agent 268
Agent Bank 181, 268
Agents 223
Alternative Rate 200, 269
AMP 269
AMP Period 269
AMP7 269
AMP8 ..... 77, 269
Ancillary Documents 269
Annual Finance Charge 269
Annual RCV Update 312
Applicable Accounting Principles 269
Applicable Period 191
Appointed Business 269
Ardleigh Arrangement 269
Ardleigh Reservoir Committee 269
arm's length 269
arm's length basis 269
arm's length terms 269
Arranger 269
ASM 115
Associate 269
Assumptions 270
Auditors 264, 270
Authorised Credit Facilities 182
Authorised Credit Facility 27, 270
Authorised Credit Provider 270
Authorised Credit Providers 182
Authorised Investment Minimum Rating 270
Authorised Investments 270
Authorised Signatory 270
Available Class A Headroom 271
Available Senior Headroom 271
AWAHL 180, 271
AWE 271
AWFL i
AWHL ..... i, 74, 187, 271
AWL ..... i, 74, 271
AWL Business Plan 271
AWL Central Region 75, 271
AWL Change of Control 271
AWL East Region 75
AWL PR14 Business Plan 271
AWL Region 271
AWL Regions 75
AWL Southeast Region 75, 271
AWL VAT Group 271
AWPP 48, 271
AWSE 271
AWSS 271
Bank 252
Bank Rate 193
Barclays 252
Base Cash Flows 117, 271
Base Currency 271
Base Index Figure 206, 210, 213, 271
Base Level 211
Base RCV 312
Basel Committee 73
Basel III 73
Basic Terms Modifications 227, 272
Bearer Bonds ..... ii, 183, 272
Benchmark Amendments 196
Benchmark Event 200, 272
Benchmarks 70
Birds Directive 128
Board 263
Bond 272
Bond Certificates 272
Bond Trust Deed 26, 181, 272
Bond Trustee ..... ii, 21, 181, 272
Bond Trustee Reserved Matters 272
Bondholder 184, 234
Bondholders 21, 272
Bonds ..... i, 181, 272

Broken Amount 201, 272
Business 272
business day 224, 235
Business Day 201, 272
Business Day Convention 273
Calculation Agency Agreement 181, 273
Calculation Agent 181, 273
Calculation Amount 201, 273
Calculation Date 206, 273
calculation month 211
Calculation Period 201, 273
CAP 104
Capital Expenditure 273
Capital Maintenance Expenditure 273
Capitalised Infrastructure Renewals Expenditure 273
Cash Cover Account 273
Cash Expenses 273
Cash Manager 21, 273
CCD 274
CCW 119, 274
Certificate iii
Certificates 184
CGNs ..... iii, 231
Chargor 274
Chargors 274
Class ..... ii, 181, 183, 274
Class A Adjusted ICR 274
Class A Average Adjusted ICR 274
Class A Bonds 181, 274
Class A Coupons 184, 274
Class A Creditor 274
Class A Debt 181, 274
Class A Debt Instructing Group 274
Class A Debt Interest 275
Class A Debt Liquidity Shortfall 275
Class A Debt Service Reserve Account 275
Class A DIG 274
Class A DIG Representative 274
Class A Hedging Agreement 275
Class A ICR 276
Class A Net Indebtedness 276
Class A RAR 276
Class A Receipts 184, 276
Class A Required Balance 276
Class A Talons 184, 276
Class B Bonds 181, 276
Class B Coupons 184, 276
Class B Creditor 276
Class B Debt 276
Class B Debt Instructing Group 277
Class B Debt Liquidity Shortfall 277
Class B Debt Service Reserve Account 277
Class B DIG 277
Class B DIG Representative 277
Class B Hedging Agreement 277
Class B Receipts 184, 277
Class B Required Balance 277
Class B Talons 184, 277
Clean-up Call Percentage 217
Clearing System Business Day 235, 277
Clearstream, Luxembourg ..... iii, 185
CMA 37, 277
CMP Regulations 2018 236
Code 94, 223, 225, 231
Committee 37
common carriage 277
Common Depositary ..... iii, 231
Common Documents 277
Common Safekeeper ..... iii, 231
Common Terms Agreement 147, 182, 278
Companies Act 278
Competition Act 39
Complementary DA 68
Compliance Certificate 278
Compounded Daily SONIA 191
Condition B 38
Condition G 90
Condition U 104
Conditions 26, 181, 278
Conformed Class A Adjusted ICR 278
Conformed Class A Average Adjusted ICR 278
Conformed Senior Adjusted ICR 278
Conformed Senior Average Adjusted ICR 278
Connected Party 139
Consortium of Equity Owners 74, 278
Consumer Prices Index 279
Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax 279
Contractor 279
Control 279
Controlled 279
Controlling 279
Coupon 279
Couponholders 184, 279
Coupons 184
Court 279
Covenantors 180, 279
CP Agreement 165, 279
CPI ..... iv, 213, 279
CPI/CPIH Amendments 215
CPIH ..... iv, 213, 279
CRA Regulation 282
CRI 80
CTA 27, 147, 278
Currency Hedging Agreement 279
date for payment 208, 215
Date Prior 279
Day Count Fraction 201, 279
DDCM 48, 115
Dealer ..... i, 280
Dealers ..... i, 20, 182, 259, 279
Dealership Agreement 182, 259, 280
Debt Service Payment Account 280
Debt Service Reserve Account 280
Decision Period 137, 280
Deed of Variation 280
Default 280
Default Situation 280
Deferral of K 280

Definitive Bearer Bonds 232
Definitive Bond 280
Definitive Notification 312
Definitive Registered Bond 181, 234, 280
DEFRA 280
Degrouping Tax Charge 180
DESNZ 45
Determination Date 201, 280
Determination Period 201, 280
DETR 280
Different Price Control Mechanism 312
DIG Representative 280
Direction Notice 281
Directors 281
Discharge Date 281
Discretion Matter 136, 281
Distribution 281
distributor ..... ix, 236
dollar 326
dollars ..... ix, 281
DPC 90
DSR Liquidity Facilities 182
DSR Liquidity Facility 281
DSR Liquidity Facility Agreement 281
DSR Liquidity Facility Agreements 182
DSR Liquidity Facility Provider 281
DSR Liquidity Facility Providers 182
Dual Currency Bonds 183
DWI 281
EA 35, 281
Early Redemption Amount 281
EEA ..... ii, 236
Eligible Green Portfolio 249
Eligible Green Project Categories 249
Eligible Green Projects 249
Emergency 282
EMMI iv
Enforcement Action 282
Enforcement Order 282
Enhanced Rights Matter 136, 282
Enterprise Act 39, 282
Entrenched Matter 282
Entrenched Rights 282
Environmental Approvals 282
Environmental Claim 282
Environmental Law 282
EP Regulations 2016 36
Equipment 282
Equivalent Amount 282
ESMA ..... iii, 282
EU 282
EU Benchmarks Regulation iv
EU CRA Regulation ii
EU ETS 122
EU Floods Directive 128
EU Green Bond Regulation vii
EU PRIIPs Regulation ..... viii, 236
EU Sustainable Finance Taxonomy vii
EURIBOR ..... iv, 191, 203
euro ..... ix, 203, 282
Euro ..... ix, 282
Eurobond Basis 202, 282
Euroclear ..... iii, 185
EUWA ..... i, 236
Event of Default 283
Events of Default 163
Excess Funds 170, 283
Exchange Rate 283
Excluded Accounts 141, 283
Existing Authorised Credit Facilities 283
Existing Authorised Credit Providers 21, 283
Existing Dormant Subsidiaries 283
Existing Finance Lease 283
Existing Finance Leases 283
Existing Finance Lessors 283
Existing Hedging Agreements 283
Existing Hedging Counterparties 283
Existing Hedging Counterparty 20
Existing Hedging Transaction 283
Existing Issuer ..... i, 284
Existing Issuer Bond Trust Deed 284
Existing Issuer Bond Trustee 284
Existing Issuer Bond Trustee Reserved Matters 284
Existing Issuer Bondholders 284
Existing Issuer Bonds 19, 284
Existing Issuer DSR Proportion 284
Existing Issuer/AWL Loan Agreement 147, 284
Exit Regulations 98
Expert 209, 215
Extension Period 137, 284
Extraordinary Resolution 227, 284
Facility Agent 284
FATCA Withholding 225
FCA ..... i, 285
Final Determination 284
Final Terms ..... ii, 181, 284
Finance Documents 183, 284
Finance Lease 285
Finance Lease Documents 285
Finance Leases 285
Finance Lessor 285
Finance Lessors 21, 285
Finance Party 285
Financial Adviser 218
Financial Conduct Authority 285
Financial Indebtedness 285
Financial Ratio 286
Financial Statements 286
Financial Year 286
Financing Group 286
Fitch ..... iii, 286
Fitch Appointment Right 286
Fixed Coupon Amount 203, 286
Fixed Interest Period 203, 287
Fixed Rate Bond 287
Fixed Rate Bonds 181, 183
flip clauses 51
Floating Rate Bond 287
Floating Rate Bonds 181, 183

Following Business Day Convention ... 198, 287
foreign passthru payments ... 258
Form of Transfer ... 287
FRS 101 ... 266, 287
FSMA ... i, viii, 236, 287
FWM Act ... 51
GHG ... 123
Global Bond ... 287
Global Bond Certificate ... iii, 231, 287
Global Bonds ... iii, 231
Good Industry Practice ... 287
Grafham Water Arrangement ... 287
Green Bonds ... 249
Green External Review ... 66, 249
Gross Real Redemption Yield ... 219
Gross Redemption Yield ... 218
Groundwater Directive ... 127
Group ... 252
Guarantee ... 287
Guarantor ... 20, 287
Guarantors ... 20, 287
Habitats Directive ... 128
Hedging Agreement ... 288
Hedging Agreements ... 182, 288
Hedging Counterparties ... 182, 287
Hedging Counterparty ... 21, 287
Hedging Counterparty Minimum Day 1 Rating Requirement ... 178
Hedging Counterparty Reserved Matters ... 288
Hedging Policy ... 288
Hedging Transaction ... 288
Hedging Transactions ... 288
HICP ... iv, 210
High Court ... 279
HMRC ... 257
holder ... 184
Holder ... 184
Holding Company ... 288
ICMA ... 66
ICMA Principles ... vii, 288
IED ... 126
IFA ... 206, 207
IFRS ... 266, 288
IGAs ... 258
ILA ... 80
Income ... 288
Independent Adviser ... 203, 288
Independent Enforcement Action ... 288
Independent Review ... 288
Index ... 206, 208, 210, 213
Index Business Day ... 210
Index Determination Date ... 210
Index Event ... 220, 288
Index Figure ... 206, 208, 213
Index Figure applicable ... 206, 207, 288
Index Level ... 210
Index Ratio ... 207, 210, 214, 288
Indexation Adviser ... 203, 288
Indexation Calculation Date ... 206
Indexed Bond ... 288
Indexed Bonds ... 181, 183
Individual Bond Certificate ... 288
Information Memorandum ... 289
infrastructure renewals charge ... 292
Initial Date Representation ... 289
Initial Date Representations ... 148
Initial Existing Issuer/AWL Loan Agreement ... 289
Initial Issue Date ... 22, 181, 289
Insolvency Act ... 289
Insolvency Event ... 289
Insolvency Official ... 290
Insolvency Proceedings ... 290
Instalment Amount ... 198, 290
Instalment Bond ... 184
Instalment Bonds ... 181, 290
Instruction Notice ... 290
Instrument of Appointment ... 20, 187, 290
Instrument of Appointment Condition ... 290
Insurance Distribution Directive ... viii, 236, 260
Insurances ... 290
Intellectual Property Right ... 291
Intercreditor Arrangements ... 135, 291
interest ... 292, 296
Interest Amount ... 203, 291
Interest Commencement Date ... 204, 291
Interest Determination Date ... 204, 291
Interest Payment Date ... 189, 291
Interest Period ... 204, 291
Interest Rate ... 204, 291
Interest Rate Hedging Agreement ... 291
Interim Determination ... 42
Intra-Group Debt Service Distribution ... 291
Intra-Group Loans ... 291
Investment Grade ... 178, 291
Investor Report ... 29, 291
IRC ... 292
ISDA Definitions ... 204, 292
ISDA Determination ... 194, 292
ISDA Master Agreement ... 292
ISDA Rate ... 194, 292
Issue Date ... 22, 204, 292
Issue Price ... 292
Issuing Bank ... 292
Joint Venture ... 292
K ... 292
Latest Level ... 211
LBD ... 192
Lease Calculation Cashflow ... 292
Lease Calculation Date ... 293
Lease Reserve Amount ... 293
Legacy Chertsey Security ... 293
Legacy Debenture Stock ... 293
LF Event of Default ... 176, 294
LF Provider Minimum Rating ... 293
Liability ... 294
LIBOR ... 294
Limited Index Ratio ... 207, 214
Limited Indexation Factor ... 207, 214
Limited Indexation Month ... 207, 214

Limited Indexed Bonds 207, 214
Liquidity Coverage Ratio 73
Liquidity Facilities 294
Liquidity Facility 294
Liquidity Facility Agent 294
Liquidity Facility Agreement 294
Liquidity Facility Provider 294
listed ..... i, 294
Listing Rules 294
Lloyds Bank Corporate Markets 255
Lloyds Banking Group 255
LMA 66
London Banking Day 192
London Stock Exchange ..... i, 294
Majority Creditors 294
Make-Whole Amount 294
Management Services Agreement 294
Mandatory Cost Rate 294
margin 296
Margin 204, 295
Market ..... i, 295
Market in Financial Instruments Directive 295
Master Definitions Agreement 182, 295
Master Implementation Deed 146, 295
Matched Index Reference Gilt 214
Material Adverse Effect 295
materially prejudicial 136
Maturity Date 204, 295
Maximum Indexation Factor 207, 295
Maximum Interest Rate 204, 295
MDA 295
Member State 295
MiFID II 236
MiFID II ..... i, viii
MiFID II 260
MiFID Product Governance Rules ix
Minimum Indexation Factor 207, 295
Minimum Interest Rate 204, 295
Modified Following Business Day Convention 198, 295
Monthly Payment Amount 295
Moody's ..... iii, 295
NAB 254
NAO 37
NatWest Group 254
NAVs 39
necessary information ..... xvii, 295
Net Cash Flow 296
Net Stable Funding Ratio 73
New Appointments and Variations 39
New Money Advance 296
NGN ..... iii, 231
NGOs 35
NIS Directive 105
NIS Regulations 105
Non-Appointed Business 296
Non-Appointed Expense 296
Non-Base Currency 296
Non-Financing Group 296
Non-Renewing Liquidity Facility Provider 175
notice 296
Notice 296
Notified Item 296
Notional Amount 296
Novation Agreement 297
NSS ..... iii, 231
NWM Group 254
NWM Plc 254
O&M Reserve 297
O&M Reserve Account 297
O&M Reserve Accounts 297
O&M Reserve Facility 297
O&M Reserve Facility Agreement 297
O&M Reserve Facility Provider 297
O&M Reserve Required Amount 297
OAM 115
Obligor 20, 188, 297
Obligors ..... i, 20, 188, 297
Observation Method 192
ODIs 47, 77
Official List ..... i, 297
Ofwat 75, 297
Operating Accounts 297
Operation Standard 120
Order 297
Original Reference Rate 204, 297
Other Finance Document 142, 297
Other Parties ..... vi, 297
Outsourcing Agreement 297
Outstanding 298
Outstanding Principal Amount 299
Out-turn Inflation 300
Page 204, 300
Parent 300
Pari Passu Interest Rate Hedging Agreements 300
Participating Member State 204, 300
Party 300
PAYG 114
Paying Agents 21, 181, 300
Payment 301
Payment Date 301
Payment Priorities 167, 301
PCD 47, 115
performance commitments 47
Periodic Information 301
Periodic Review 301
Periodic Review Effective Date 301
Periodic Review Period 301
Periodic Reviews 43
Permanent Global Bond ..... iii, 231, 301
Permitted Acquisition 301
Permitted Additional Issuer Subsidiary 20, 302
Permitted Book Debt Disposal 302
Permitted Boundary Change 302
Permitted Disposal 303
Permitted Emergency Action 303
Permitted Existing Non-Appointed Business 304
Permitted Existing Pension Scheme 304
Permitted Financial Indebtedness 304

Permitted Further Financial Indebtedness 305
Permitted Hedging Termination 306
Permitted Joint Venture..... 306
Permitted Lease Termination 306
Permitted Leasing Subsidiary..... 306
Permitted Legacy Loan..... 306
Permitted Legacy Payment..... 306
Permitted New Non-Appointed Business..... 307
Permitted Non-Appointed Business 307
Permitted Non-Appointed Business Limits.. 307
Permitted Payments..... 167, 307
Permitted Post Closing Events 307
Permitted Security Interest 307
Permitted Share Pledge Acceleration 309
Permitted Subsidiary 302, 309
Permitted Tax Loss Transaction..... 309
Permitted Volume Trading Arrangements.... 309
PFAS 116
Potential Event of Default 310
Potential Trigger Event..... 310
pounds ..... ix, 310
PR14..... 46
PR19..... 38
PR24..... 38
PR24 FD..... 43
PR24 Final Methodology 43
PRA..... 73
Preceding Business Day Convention.... 198, 310
Pre-Test Period..... 310
Primary Duties..... 100
Principal Amount Outstanding..... 204, 310
Principal Paying Agent..... 21, 181, 310
Priority Substances Directive 127
Proceeds 310
Procurement Plan 310
Professional Securities Market..... 310
Programme ..... i, 181, 310
Programme Issuer..... i, 181, 310
Programme Issuer DSR Proportion..... 310
Programme Issuer Maturity Call 217
Programme Issuer Maturity Call Notice..... 217
Programme Issuer Maturity Call Period..... 217
Programme Issuer Maturity Call Redemption Date 217
Programme Issuer/AWL Loan Agreement.. 146, 310
Projected Operating Expenditure..... 310
Proposed Payment Amount..... 156, 310
Prospectus..... 237, 310
Prospectus Directive..... 310
Prospectus Regulation 236
Prospectus Regulation i
Prospectus Regulation 237
Protected Land..... 311
Public Procurement Rules 311
Qualifying Bondholder..... 311
Qualifying Bondholders 227
Qualifying Class A Creditor..... 311
Qualifying Class A Debt 311
Qualifying Class B Creditor..... 311
Qualifying Class B Debt 311
Qualifying Debt 312
Qualifying Existing Bondholders..... 312
Qualifying Secured Creditor..... 204, 312
Qualifying Secured Creditors..... 205, 312
Qualifying Secured Debt..... 312
Quorum Requirement..... 137, 312
Quotation Time..... 218
RAPID 116
Rating Agencies..... iii, 312
Rating Agency 312
Rating Requirement..... 312
RCV 164, 312
RCV Depreciation..... 312
RCV Price Control Mechanism 312
Rebased Index..... 212
REC Consultation 133
Receipt 313
Receiptholders 184, 313
Receipts..... 184
Record Date 222, 313
Recurring Fees..... 313
Redemption Amount..... 205, 313
Redemption Margin 218, 219
Reference Bank..... 313
Reference Banks 205
Reference Date..... 218, 219, 221, 225, 226, 313
Reference Gilt..... 207, 214, 218, 219, 313
Reference Level..... 211
Reference Look Back Period 192
Reference Period..... 192
Register..... 184, 313
Registered Bonds ..... ii, 183, 313
Registered Global Bond..... 181, 233, 313
Registrar..... 21, 181, 313
Regulated Companies 98
Regulated Company..... 313
Regulated Company Representee 101
REGULATION S..... viii
Regulatory News Service..... v
Related Bond..... 210
Relevant Change of Circumstances 117, 313
Relevant Currency 205, 313
Relevant Date..... 205, 313
relevant Dealer..... i, 280
Relevant Dealer..... 313
relevant Dealer(s)..... 280
Relevant Divisions..... 314
Relevant Factor..... 61
Relevant Final Maturity Date..... 156, 158
Relevant Financial Centre..... 205, 314
Relevant Inflation Rate 157, 158, 314
Relevant Level..... 211
relevant month 208, 215
Relevant Nominating Body..... 205, 314
Relevant Rate..... 205, 314
Relevant Screen Page..... 205, 314
Relevant Subscription Agreement 314
Relevant Termination Date..... 157, 158, 314
Relevant Time..... 205, 314

relevant undertaker 269
Remedial Plan 314
Remedy Period 137, 314
Remedy Start Date 316
Rental 316
Rental Payment Date 316
Rental Period 316
Repeated Representations 148, 316
Replacement Value 312
Reporter 316
Reporting Accountants 316
Representative Amount 205, 316
Request 317
Required Balance 317
Reservations 317
Reserved Matters 317
Restricted Chargors 317
Restricted Payment 317
Restricted Payment Condition 317
Restricted Secured Liabilities 317
Restructuring Plan 42
Retail Price Index 317
Retained EU Law 126
Reuters 204, 300
Revolving Credit Facilities 28
Revolving Credit Facility 317
Revolving Credit Facility Agreements 317
Revolving Credit Facility Providers 318
Rights 318
Rolling Average Period 318
RORE 115
Royal Bank 255
RPI ..... iv, 317
RPI Amendments 209
RPI Linked Hedging Agreement 318
RPI_{m-2} 207
RPI_{m-3} 207
RPI_{m-7} 207
RPI_{m-8} 207
RSA 122
S&P ..... iii, 322
SAC 128
Santander 256
Scheduled Debt Service 318
Screen Rate Determination 190, 191, 318
SDLT Clawback 180
Second Party Opinion 66, 249
Secondary Duties 100
Secondary Tax Liability 179
Secretary of State for the Environment 318
Section 6(e) Amount 179
Secured Creditor 318
Secured Creditor Representative 319
Secured Creditor Reserved Matters 319
Secured Creditors 182
Secured Liabilities 319
Securities Act 319
SECURITIES ACT ..... viii, 260
Security 27, 182, 187, 319
Security Agreement 27, 173, 182, 187, 319
Security Assets 319
Security Documents 182, 319
Security Interest 319
Security Trustee 21, 182, 320
Security Trustee Reserved Matters 320
self-lay 320
Senior Adjusted ICR 320
Senior Average Adjusted ICR 320
Senior Debt 320
Senior Debt Interest 320
Senior Net Indebtedness 320
Senior RAR 321
Senior RAR Restructuring Event 164
Series ..... ii, 181, 321
SFA 236
SFDR vii
Share Pledge 321
Share Pledges 321
Shared Services Agreement 321
Shipwreck Clause 117, 321
Shortfall Paragraph 173, 321
SIM 322
SONIA ..... iv, 192, 322
SONIA Reference Rate 192
SPA 128
Special Administration 322
Special Administration Order 322
Special Administration Petition Period 107, 322
Special Administrator 322
Specified Currency 191
Specified Denomination 205, 322
Specified Duration 205, 322
Specified Interest Payment Date 206, 322
Specified Period 206, 322
SPS 40, 126
Stabilisation Manager ix
Standard & Poor's 322
Standby Drawing 175, 322
Standstill 140, 322
Standstill Cash Manager 21, 322
Standstill Extension 322
Standstill Period 140, 322
Standstill Remedy 140, 322
Statutory Accounts 322
sterling ..... ix, 322
Sterling 322
STID 27, 182, 322
STID Direct Voting Matter 138, 323
STID Matter 323
STID Proposal 135, 323
STID Voting Request 323
Stock Exchange 323
Sub-Class ..... ii, 181, 323
Subordinated Authorised Loan Amounts 323
Subordinated Creditor 323
Subordinated Debt 323
Subordinated Liquidity Facility Amounts 323
Subordinated Step-up Fee Amounts 323
Subscription Agreement 323
Subsidiary 323

Substitution 19
Substitution Date 19
Successor Index 211
Successor Rate 206, 324
Super-Senior Interest Rate Hedging Agreement 162, 324
Super-Senior RPI Linked Hedging Agreement 162, 324
Sustainable Finance Taxonomy Regulation ... vii
Swap Collateral Account 165, 324
T2 201
Talonholders 184, 324
Talons 184, 324
TARGET Settlement Day 206, 324
TARGET2 ..... 206, 324
Tax 324
Tax Deed of Covenant 324
taxable 324
taxation 324
Taxes 324
TEFRA 231
TEFRA C Rules 231, 324
TEFRA D Rules 231, 324
Temporary Global Bond ..... iii, 231, 324
Test Period 324
Thames Water 42
Threshold Class A RAR 325
Threshold Senior RAR 325
Totex 46
totex approach 325
Tranche ..... ii, 181, 325
Transaction Account 325
Transaction Agent 325
Transaction Documents 325
Transfer Agent 21, 325
Transfer Agents 181
Transfer Scheme 325
Transitional Agreements 325
Treasury Transaction 325
Trigger Credit Rating 162
Trigger Event 325
Trigger Event Ratio Levels 326
Trustee Acts 326
TSC 67
U.S. dollars ..... ix, 326
U.S.$ ..... ix, 326
UK ..... viii, 236, 326
UK Benchmarks Regulation iv
UK CRA Regulation ..... ii, 326
UK ETS 122
UK MiFIR ..... i, 236
UK MiFIR Product Governance Rules .... ix, 236
UK PRIIPs Regulation ..... ix, 236
UK Prospectus Regulation i
UK Prospectus Regulation 237
UKSA 62
Ultimate Controller 326
unit 198
Unrestricted Chargor 326
Unrestricted Chargors 326
Unrestricted Secured Liabilities 326
UWWTD 126
VAT 326
VMPs 36
Voted Qualifying Class A Debt 326
Voted Qualifying Class B Debt 326
Voting Matters 326
VWC 326
WASC 326
WASCs 35
Water Act 326
Water Act 2025 35
Water Framework Directive 126, 326
Water Quality Regulations 105
Water Regulations 80, 326
WIA 326
WINEP 125
WISAR Regulations 108
WISER 125
WRA 326
WRE 124
Written Off Book Debts 326
WRMP 40
WRSE 124
WSL 39, 327
WSRA 327
WSSL 39, 129
WSSLS 98
Zero Coupon Bond 327
Zero Coupon Bonds 181, 183

REGISTERED OFFICE OF AWL, AWHL, THE EXISTING ISSUER AND THE PROGRAMME ISSUER

Tamblin Way, Hatfield
Hertfordshire AL10 9EZ
United Kingdom

BOND TRUSTEE AND SECURITY TRUSTEE

Deutsche Trustee Company Limited
21 Moorfields
London EC2Y 9DB
United Kingdom

PRINCIPAL PAYING AGENT AND AGENT BANK

Deutsche Bank AG, London Branch
21 Moorfields London
EC2Y 9DB

REGISTRAR AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

LEGAL ADVISERS

To the Programme Issuer, AWL, AWHL and the Existing Issuer as to English Law

Linklaters LLP
One Silk Street
London EC2Y 8HQ

To the Arranger, the Dealers, the Bond Trustee and the Security Trustee as to English Law
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

AUDITORS AND REPORTING ACCOUNTANTS

To the Programme Issuer, AWL, AWHL and the Existing Issuer
PricewaterhouseCoopers LLP
40 Clarendon Road, Watford, Hertfordshire, WD17 1JJ United Kingdom

ARRANGER

Lloyds Bank Corporate Markets plc
10 Gresham Street
London EC2V 7AE, United Kingdom

DEALERS

Barclays Bank PLC
1 Churchill Place
London E14 5HP, United Kingdom

Lloyds Bank Corporate Markets plc
10 Gresham Street
London EC2V 7AE, United Kingdom

National Australia Bank Limited
(ABN 12 004 044 937)
The Scalpel, 52 Lime Street
London EC3M 7AF, United Kingdom

RBC Europe Limited
100 Bishopsgate
London EC2N 4AA, United Kingdom

NatWest Markets Plc
250 Bishopsgate
London EC2M 4AA, United Kingdom