South East Water Issuer PLC

(a public company incorporated under the laws of England and Wales with limited liability with registered number 17249934)
(Legal Entity Identifier: 213800LRMZKO8IC23249)

£2,000,000,000
Multicurrency programme for the issuance of

Guaranteed Bonds
financing

South East Water Limited

(incorporated in England and Wales with limited liability with registered number 02679874)

South East Water Issuer PLC (the "**Issuer**") has entered into a multicurrency programme for the issuance of up to £2,000,000,000 Guaranteed Wrapped Bonds and Guaranteed Unwrapped Bonds (the "**Programme**").

The payment of all amounts owing in respect of the bonds (the "**Bonds**") will be unconditionally and irrevocably guaranteed by South East Water Limited ("**SEW**"), South East Water (Holdings) Limited ("**SEWH**") and South East Water (Finance) Limited (the "**Cayman Issuer**") under the Security Agreement, each as described herein (together with the Issuer, the "**Guarantors**"). The Cayman Issuer is not an issuer under the Programme and SEW does not intend that the Cayman Issuer will issue any new debt. SEW, the Issuer and SEWH are together referred to herein as the "**Obligors**". SEWH has no significant assets other than the shares in SEW, its wholly-owned subsidiary.

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 for the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Bonds to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**"). References in this Prospectus to Bonds being "listed" (and all related references) shall mean that such Bonds have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK MiFIR**"). The relevant Final Terms in respect of the issue of any Bonds will specify such Bonds will be listed on the Official List and admitted to trading on the Market.

This Prospectus has been approved by the FCA in accordance with the rules in the Prospectus Rules: Admission to Trading on a Regulated Market Sourcebook (the "**PRM**") made pursuant to its rule-making powers under the Public Offers and Admissions to Trading Regulations 2024 (the "**POATRs**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the rules in the PRM. Such approval should not be considered as an endorsement of either the Issuer, SEW, SEWH or the Cayman Issuer 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 Dealership Agreement from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Bonds.

Interests in a Temporary Global Bond (as defined below) will be exchangeable, in whole or in part, for definitive securities 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 described in Chapter 8 "*The Bonds*" under "*Forms of the Bonds*".

This Prospectus will be valid as a base prospectus under the PRM for 12 months from its date in relation to Bonds which are to be admitted to the Market. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period.

Prospective investors should have regard to the factors described under Chapter 3, "*Risk Factors*" in this Prospectus.

Arranger

NatWest

Dealers

NatWest

CIBC Capital Markets

Prospectus dated 25 August 2026

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

Bonds to be issued under the Programme will be issued in series (each a "**Series**") and may be issued in one or more tranches (each a "**Tranche**"). Each Tranche may comprise one or more sub-tranches (each a "**Sub-Tranche**") with each Sub-Tranche pertaining to, among other things, the currency, interest rate and maturity date of the relevant Sub-Tranche. Each Sub-Tranche may be 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).

Each Sub-Tranche 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, 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.

Each Sub-Tranche of Bonds is expected on issue to have each of the following credit ratings. The credit ratings will be specified in the applicable Final Terms:

Tranche	***S&P***	***Moody's***
Unwrapped Bonds	BB+	Ba1

For the avoidance of doubt, the Issuer may not as of the date of this Prospectus issue Wrapped Bonds pursuant to this Prospectus. The credit ratings of any Sub-Tranche of Wrapped Bonds which may be issued under the Programme in the future are not known as at the date of this Prospectus. If in the future any Financial Guarantor shall have a commitment in relation to the Programme which is available and to be utilised, this Prospectus shall be updated to include information on such Financial Guarantor. References to Wrapped Bonds and any Financial Guarantor in this Prospectus are included in the event that the Issuer subsequently issues Wrapped Bonds. For the avoidance of doubt, a supplementary prospectus, with appropriate disclosure, would be issued in the event that the Issuer wishes to issue Wrapped Bonds.

None of the Unwrapped Bonds will benefit from a Financial Guarantee or the guarantee of any other financial institution.

In this document references to "**Moody's**" are to Moody's Investors Service Limited and references to "**S&P**" are to S&P Global Ratings UK Limited. Moody's is established in the UK. Each of Moody's and S&P is registered under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**").

In general, as at the date of this Prospectus, European regulated investors are restricted from using a rating for regulatory purposes in the European Economic Area (the "**EEA**") if such rating is not issued by a credit rating agency established in the EEA and registered under Regulation (EC) No 1060/2009 (as amended) (the "**EU CRA Regulation**") (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

The credit ratings incurred or referred to in this Prospectus have been issued by Moody's and S&P (together, the "**Rating Agencies**"). Each of Moody's and S&P is established in the United Kingdom and is registered under the UK CRA Regulation. For the purposes of the EU CRA Regulation, credit ratings issued by Moody's have been endorsed by Moody's Deutschland GmbH and credit ratings issued by S&P have been endorsed by S&P Global Ratings Europe Limited. Moody's Deutschland GmbH and S&P Global Ratings Europe Limited are credit rating agencies established in the EU and registered under the EU CRA Regulation.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Bonds changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Bonds may have a different regulatory treatment, which may impact the value of the Bonds and their liquidity in the secondary market. Credit ratings are not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Tranches of Bonds to be issued under the Programme will be rated or unrated. Where a Tranche of Bonds is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme. Where a Tranche of Bonds is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Bonds will be treated as having been issued by a credit rating agency established in either the EU or UK and registered under the EU CRA Regulation or the UK CRA Regulation will be disclosed in the relevant Final Terms.

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.

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 Issuer being obliged to pay any additional amounts as a consequence.

Bonds issued under the Programme will not be marketed as green, social, sustainable or sustainability-linked nor issued under a bond framework or equivalent document on green, social, sustainable or sustainability-linked financing published by the Issuer, SEW or SEWH.

Product Governance under Directive 2014/65/EU (as amended)

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**EU 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 EU MiFID Product Governance Rules.

The Final Terms in respect of any Bonds may include a legend entitled "*EU 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 Directive 2014/65/EU (as amended, "**EU 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.

Product Governance under UK MiFIR

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (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.

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 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

PROHIBITION OF SALES 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 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 MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**IDD**"), 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 (the "**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 PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Bonds are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is either one (or both) of: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024.

Consequently no disclosure document required by FCA Product Disclosure Sourcebook ("**DISC**"), for offering, selling or distributing the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

Amounts payable under the Floating Rate Bonds may be calculated by reference to: (i) the United Kingdom retail price index ("**RPI**"), which is provided by the Office for National Statistics; (ii) the United Kingdom consumer price index ("**CPI**"), which is provided by the Office for National Statistics; (iii) the consumer price index including owner occupiers' housing costs ("**CPIH**") which is provided by the Office for National Statistics; (iv) the Sterling Overnight Index Average ("**SONIA**") which is provided by the Bank of England, (v) the Secured Overnight Financing Rate ("**SOFR**"), which is provided by the Federal Reserve Bank of New York and (vi) the Euro Short-Term Rate ("**€STR**") which is provided by the European Central Bank. As at the date of this Prospectus, the Office for National Statistics, the Bank of England, the Federal Reserve Bank of New York and the European Central Bank do not appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation"**) or on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the Regulation (EU) 2016/1011 as it forms part of United Kingdom domestic law by virtue of the EUWA, as amended (the "**UK Benchmarks Regulation**").

As at the date of this Prospectus, RPI, CPI, CPIH, SONIA, SOFR and €STR do not fall within the scope of the EU Benchmarks Regulation or the UK Benchmarks Regulation by virtue of Article 2 of the EU Benchmarks Regulation and the UK Benchmarks Regulation, as applicable. The registration status of any administrator under the EU Benchmarks Regulation and the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator. 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".

The Obligors may agree with any Dealer and the Bond Trustee that Bonds may be issued in a form not contemplated by the Conditions (as defined below) herein, in which event (in the case of Bonds admitted to the Official List only) a further prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Bonds.

IMPORTANT NOTICE

This prospectus (the "**Prospectus**") comprises a base prospectus for the purposes of the PRM.

Each of the Issuer, the Cayman Issuer, SEW and SEWH accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the Cayman Issuer, SEW and SEWH, the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import of such information. The information in the section entitled "Account Bank (current identity)" contained in Chapter 1 "*The Parties*" has been accurately reproduced and, as far as the Issuer, the Cayman Issuer, SEW and SEWH are aware and are able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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

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 (as defined below) or the Registrar and Transfer Agents (as applicable) and from the website of the Regulatory News Service operated by the London Stock Exchange at *www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html*.

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

None of the Dealers, the Arranger, the Financial Guarantors, the Bond Trustee or the Security Trustee nor any of the Liquidity Facility Providers, the Authorised Credit Providers, the Agents, the Account Bank, the Standstill Cash Manager, the Finance Lessors, any independent auditor, or the members of the Group (other than the Obligors) (each as defined herein and together, the "**Other Parties**" and each an "**Other Party**") has independently verified the information contained herein (other than, in respect of the Account Bank, the information in the section entitled "Account Bank (current identity)" contained in Chapter 1 "*The Parties*"). Accordingly, no representation, warranty or undertaking, express or implied, is made and to the fullest extent permitted by law, no responsibility or liability whatsoever is accepted by any Dealer, the Arranger, the Bond Trustee, the Security Trustee or any Other Party as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other statement, made or purported to be made by any of them or on their behalf in connection with the Issuer and the other Obligors in connection with the Programme (other than, in respect of the Account Bank, the information in the section entitled "Account Bank (current identity)" contained in Chapter 1 "*The Parties*"). Furthermore, none of the Dealers, the Arranger, the Financial Guarantors, the Bond Trustee, the Security Trustee or any of the Other Parties accepts any liability whether arising in tort or contract or which it might otherwise have in respect of this Prospectus or any such statement (other than, in respect of the Account Bank, the applicable information contained in Chapter 1 "*The Parties*").

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

Neither this Prospectus nor any other information supplied in connection with the Programme or any Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Obligors, the Bond Trustee, the Security Trustee, any of the Dealers, the Arranger or any Other Party that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Bonds should purchase any Bonds. Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Obligors. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Bonds constitutes an offer or invitation by or on behalf of any of the Obligors, any of the Dealers, the Arranger, the Bond Trustee, the Security Trustee or any Other Party to any person to subscribe for or to purchase any Bonds.

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 Issuer, the Cayman Issuer, SEW and SEWH is correct at any time subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or any other Obligor since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. None of the Dealers, 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, amongst other things, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Bonds.

Each person contemplating making an investment in the Bonds must make its own investigation and analysis of the creditworthiness of the Issuer and the other Obligors and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the 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.

The Bonds and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and the Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds and the Guarantees may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). For a description of these and certain further restrictions on offers, sales and transfers of Bonds and distribution of this Prospectus see Chapter 12 "*Subscription and Sale*".

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 Issuer, the other Obligors, the Dealers and the Arranger 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 12 "*Subscription and Sale*" below. 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.

None of the Dealers, the Arranger, the Financial Guarantors, the Obligors, the Bond Trustee, the Security Trustee or the Other Parties 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.

All references herein to "**pounds**", "**sterling**", "**Sterling**" or "**£**" are to the lawful currency of the United Kingdom, all references to "**$**", "**U.S. dollars**" and "**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.

STABILISATION

In connection with the issue and distribution of any Sub-Tranche of Bonds, the Dealer(s) (if any) disclosed as the stabilisation manager in the applicable Final Terms or any person acting for him may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds of the Series of which such Sub-Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilisation manager or any agent of his will undertake stabilisation action. 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 be ended 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 person acting on behalf of any stabilisation manager in accordance with all applicable laws and rules.

FORWARD-LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. Forward looking statements include statements concerning events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the SEW Financing Group to differ materially from the information presented herein. When used in this Prospectus, the words “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “should” and similar expressions, as they relate to the SEW Financing Group and its management, are intended to identify such forward-looking statements. The SEW Financing Group does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Any forward-looking statements contained in this Prospectus speak only as at the date of this Prospectus.

ALTERNATIVE PERFORMANCE MEASURES

Certain alternative performance measures ("**APMs**") are included or referred to in this Prospectus. APMs are not defined in accordance with the UK-adopted international accounting standards ("**UK-IAS**") and are non-GAAP measures used within the 2026 SEW Annual Report and the 2025 SEW Annual Report to supplement disclosures prepared in accordance with other regulations. The Issuer and the Guarantors consider that these measures provide useful information to enhance the understanding of financial performance. The APMs contain forward-looking forecasts that are subject to risks and uncertainties that could cause the actual results and financial position of the SEW Group to differ materially from those anticipated in such forward-looking forecasts as a result of a number of factors, including those set out in "*Risk Factors*" and the "*Forward-Looking Statements*" disclaimer in the Prospectus. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. Each of the APMs set out below, and the figures given in respect of them, relates to the SEW Group:

Adjusted EBITDA is defined as earnings before exceptional items, atypical costs, interest, tax, depreciation and amortisation. It is a key profit indicator that can be used to assess underlying performance. A reconciliation to the statutory measure of operating profit is included below:

	2024/25 £m	**2025/26 £m**
Operating Profit (IFRS measure)	54.5	30.4
Add back Asset Expenses	65.4	73.6
EBITDA including exceptional items/atypical costs	119.9	104.0
Add back atypical costs	-	54.7[1]
Adjusted EBITDA	**119.9**	**158.7**

Asset Expenses includes depreciation on owned assets, depreciation on right-of-use assets, amortisation of intangible assets and loss/(profit) on disposal of property, plant and equipment. It is used as part of the calculation of Adjusted EBITDA:

	2024/25 £m	**2025/26 £m**
Depreciation – owned assets	62.4	69.7
Depreciation – right-of-use assets	0.5	0.6
Amortisation of intangible assets	2.5	2.9
Loss/(Profit) on disposal of property, plant and equipment	(0.1)	0.4
Asset Expenses	**65.4**	**73.6**

1 Please note that the atypical costs in financial year ended 31 March 2026 relate to the response to supply interruption events taking place in December 2025 and January 2026.

Average Adjusted ICR has the definition given to it in this Prospectus. It is calculated in accordance with the definitions set out in the Master Definitions Agreement and is one of the financial covenants under the Common Terms Agreement. At the date of this Prospectus the most recent forecasts of this ratio, and the Trigger threshold, are as below (as taken from the compliance certificate dated 24 July 2026 in respect of the calculation date of 31 March 2026):

Test Period	**Average Adjusted ICR (x)**	**Trigger Threshold (x)**
1 April 2025 – 31 March 2026	3.28	<1.20
1 April 2026 – 31 March 2027	3.49	<1.20
1 April 2027 – 31 March 2028	3.66	<1.20

Cash in hand is used interchangeably with the statutory measure of cash and cash equivalents.

Conformed Adjusted ICR has the definition given to it in this Prospectus. It is calculated in accordance with the definitions set out in the Master Definitions Agreement and is one of the financial covenants under the Common Terms Agreement. At the date of this Prospectus the most recent forecasts of this ratio, and the Trigger threshold, are as below (as taken from the compliance certificate dated 24 July 2026 in respect of the calculation date of 31 March 2026):

Year	**Conformed Adjusted ICR (x)**	**Trigger Threshold (x)**
1 April 2025 – 31 March 2026	1.34	<1.10
1 April 2026 – 31 March 2027	1.68	<1.10
1 April 2027 – 31 March 2028	2.02	<1.10
1 April 2028 – 31 March 2029	2.25	<1.10
1 April 2029 – 31 March 2030	2.37	<1.10

Net cash interest payments is defined as interest paid and the interest element of lease liability payments, less interest received, in each case as reported in the SEW Group statement of cash flows. It is used as an indicator of the cash cost of servicing the SEW Group's debt and excludes non-cash finance charges, including indexation on index linked bonds and loans, the amortisation of loan issue costs and capitalised interest. A reconciliation to the statutory measure of interest paid is included below:

	2024/25 (£m)	**2025/26 (£m)**
Interest paid	50.5	44.9
Interest element on lease liability payments	0.1	0.1
Interest received	(1.1)	(3.9)
Net cash interest payments	**49.5**	**41.1**

Operating profit is used interchangeably with the statutory measure of profit from operations.

Regulatory Capital Value ratio ("**RAR**") has the definition given to it in this Prospectus. It is calculated in accordance with the definitions set out in the Master Definitions Agreement and is one of the financial covenants under the Common Terms Agreement. At the date of this Prospectus the most recent forecasts of this ratio, and the Trigger threshold, are as below (as taken from the compliance certificate dated 24 July 2026 in respect of the calculation date of 31 March 2026):

Calculation Date	**RAR (%)**	**Trigger Threshold (%)**	**Default Threshold (%)**
31 March 2026	66.5	90	95
31 March 2027	65.9	90	95
31 March 2028	69.2	90	95
31 March 2029	70.4	90	95
31 March 2030	69.1	90	95

Total borrowings is defined as the total of non-current and current loans and borrowings, in each case as reported in the SEW Group statement of financial position.

Turnover means the fair value of the consideration receivable in the ordinary course of business for the goods and services provided by SEW. It is used interchangeably with the statutory measure of revenue. SEW's total Turnover was £285.5 million as of and for the financial year ended 31 March 2025 and £351.8 million as of and for the financial year ended 31 March 2026.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been published, shall be incorporated in, and form part of, this Prospectus and have been filed with the FCA:

(1) the audited consolidated annual financial statements of SEW as of and for the financial year ended 31 March 2026, and the audited company financial statements of SEW as of and for the financial year ended 31 March 2026, both prepared in accordance with UK-IAS and in accordance with the requirements of the Companies Act 2006 (the "**2026 SEW Annual Report**"), together with the independent auditors report thereon, as set out on pages 202 to 281 of the 2026 SEW Annual Report (available at https://cdn.southeastwater.co.uk/Publications/Financial+reports/South_East_Water_Ltd-Annual_Report_and_Statement_2026.pdf);

(2) the audited consolidated annual financial statements of SEW as of and for the financial year end 31 March 2025, and the audited company financial statements of SEW as of and for the financial year ended 31 March 2025, both prepared in accordance with UK-IAS and in accordance with the requirements of the Companies Act 2006 (the "**2025 SEW Annual Report**") together with the independent auditors report thereon, as set out on pages 206 to 283 of the 2025 SEW Annual Report (available at https://cdn.southeastwater.co.uk/Publications/Financial+reports/SEW-2025-Annual_Report-Linked.pdf);

(3) the audited annual financial statements of SEWH as of and for the financial year end 31 March 2025, prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" ("**FRS 101**"), applicable law and in accordance with the requirements of the Companies Act 2006 (the "**2025 SEWH Annual Report**"), together with the independent auditors report thereon, as set out on pages 5 to 21 of the 2025 SEWH Annual Report (available at https://cdn.southeastwater.co.uk/Investor+portal/South+East+Water+(Holdings)+Ltd/SEWHoldingsAccounts2025.pdf); and

(4) the audited annual financial statements of SEWH as of and for the financial year end 31 March 2024, prepared in accordance with United Kingdom Accounting Standards, including FRS 101, applicable law and in accordance with the requirements of the Companies Act 2006 (the "**2024 SEWH Annual Report**"), together with the independent auditors report thereon, as set out on pages 5 to 19 of the 2024 SEWH Annual Report (available at https://cdn.southeastwater.co.uk/Investor+portal/South+East+Water+(Holdings)+Ltd/SEWHoldingsAccounts2024.pdf).

In addition to the above, the following documents published by the Issuer, SEW and SEWH from time to time after the date of this Prospectus, and in accordance with the PRM during the 12-month period of validity of this Prospectus (at https://www.southeastwater.co.uk/about/resources/publications/financial-reports/ and https://www.londonstockexchange.com/stock/81NI/south-east-water-ld/company-page) shall be incorporated in, and form part of, this Prospectus as and when they are published on the aforementioned website:

(1) the future audited annual financial statements and the notes thereto, together with the independent auditors report thereon, of each of SEW and SEWH;

(2) the future unaudited interim financial statements and the notes thereto of SEW; and

(3) the future audited annual financial statements and the notes thereto, together with the independent auditors report thereon, of the Issuer.

In addition, copies of such documents will be available on 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.

Each independent auditors' report incorporated by reference in this Prospectus in respect of SEW for each of the years ended 31 March 2026 and 31 March 2025 and, when published and incorporated by reference, 31 March 2027 and SEWH for each of the years ended 31 March 2025 and 31 March 2024 and, when published and incorporated by reference, 31 March 2026, states (or is expected to state) that the report, including the opinion, was prepared for and only for each of SEW and SEWH's respective members as a body in accordance with sections 495, 496 and 497 of the Companies Act 2006 and for no other purpose, and that the auditors do not accept or assume responsibility for any other purpose or to any other person to whom the report is shown or into whose hands it may come, save where expressly agreed with the auditors' prior written consent.

The Documents Incorporated by Reference have been previously published or are published simultaneously with this Prospectus and have been filed with the FCA. 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 documents themselves incorporated by reference in the documents deemed to be incorporated by reference shall not form part of this Prospectus.

Any parts of a document referred to herein which are not so incorporated are either deemed not relevant for prospective investors in the Bonds or are otherwise covered elsewhere in this Prospectus. The hyperlinks included in this Prospectus, or included in any documents incorporated by reference into this Prospectus, and the websites and their contents are not incorporated into, and do not form part of, this Prospectus and have not been scrutinised or approved by the FCA.

Each Obligor will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents 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 any of the Issuer or the other Obligors (as appropriate) at their respective offices set out at the end 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.

The Issuer will provide, free of charge, upon oral or written request, a copy of this Prospectus (or any document incorporated by reference in this Prospectus) at the specified offices of the Bond Trustee and (in the case of Bearer Bonds) at the offices of the Paying Agents and (in the case of Registered Bonds) at the offices of the Registrar and the Transfer Agents.

The hyperlinks included in this Prospectus, or included in any documents incorporated by reference into this Prospectus, and the websites and their content are not incorporated into, and do not form part of, this Prospectus.

SUPPLEMENTAL PROSPECTUS

The Issuer will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Bonds, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Bonds. Each of the Issuer and the other Obligors has undertaken to the Dealers in the Dealership Agreement (as defined in Chapter 12 "*Subscription and Sale*") to comply with its obligations under the POATRs and the rules in the PRM.

Any statement contained herein or in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a subsequent statement which is deemed to be incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), (provided, however, that such statement shall only form part of the Prospectus to the extent that it is contained in a document all of the relevant portion of which is incorporated by reference by way of a supplement proposed in accordance with PRM 10). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

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CHAPTER 1
THE PARTIES

Account Bank	HSBC Bank plc acting through its office at 60 Queen Victoria Street, London, EC4N 4TR, pursuant to the Account Bank Agreement (the "**Account Bank**"). HSBC Bank plc is a major United Kingdom clearing bank.
Agent Bank	Deutsche Bank AG, London Branch acts as agent bank (the "**Agent Bank**") under the Agency Agreement.
Arranger	NatWest Markets Plc is the Arranger of the Programme.
Bond Trustee	Deutsche Trustee Company Limited acts as trustee (the "**Bond Trustee**") for and on behalf of the holders of each Tranche of Bonds of each Series (the "**Bondholders**").
Cash Manager	SEW (the "**Cash Manager**"), or during a Standstill Period, HSBC Bank plc (the "**Standstill Cash Manager**").
Dealers	NatWest Markets Plc and Canadian Imperial Bank of Commerce, London Branch ("**CIBC**") act as dealers (together with any other dealer appointed from time to time by the Issuer and the other Guarantors, "**Dealers**") either generally with respect to the Programme or in relation to a particular Tranche, Sub-Tranche or Series of Bonds.
DSR Liquidity Facility Provider	Crédit Agricole Corporate and Investment Bank and CIBC (the "**DSR Liquidity Facility Providers**" and each, a "**DSR Liquidity Facility Provider**").
Financial Guarantors	The Issuer may arrange for such other financial guarantee companies (each a "**Financial Guarantor**"), to issue Financial Guarantees in respect of further Tranches or Sub-Tranches of Wrapped Bonds or in respect of other Wrapped Debt issued or raised under an Authorised Credit Facility. For the avoidance of doubt, the Issuer may not as of the date of this Prospectus issue Wrapped Bonds pursuant to this Prospectus.
Group	HWUK and its Subsidiaries from time to time.
Guarantors	Pursuant to the terms of the Security Agreement, SEWH will guarantee the obligations of SEW, the Cayman Issuer and the Issuer under each Finance Document in favour of the Security Trustee. In addition, SEW, the Issuer and the Cayman Issuer will each guarantee the obligations of each other (but not those of SEWH) under each Finance Document in favour of the Security Trustee as Restricted Chargors. The Issuer, SEW, the Cayman Issuer and SEWH, are collectively referred to herein as the "**Guarantors**" and each a "**Guarantor**".
HWUK	Hastings Water (UK) Limited, a company incorporated in England and Wales with limited liability (registered number 4866247).

Issuer	South East Water Issuer PLC, a public company incorporated under the laws of England and Wales with registered number 17249934, is a funding vehicle for raising funds to support the long term debt financing requirements of SEW. The Issuer is a 100 per cent. subsidiary of SEW, and is established as a special purpose entity for the purpose of issuing asset-backed-securities and has no business operations other than raising external funding for SEW through the issuance of the Bonds and borrowing under the Liquidity Facilities and Authorised Credit Facilities and entering into various Hedging Agreements. See Chapter 7 "*Summary of the Financing Agreements*" for further details.
O&M Reserve Facility Provider	Crédit Agricole Corporate and Investment Bank and Canadian Imperial Bank of Commerce, London Branch (the "**O&M Reserve Facility Providers**" and each, a "**O&M Reserve Facility Provider**").
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 Issuer, the "**Paying Agents**") to provide certain issue and paying agency services to the Issuer in respect of the Bearer Bonds.
Registrar and Transfer Agent	Deutsche Bank AG, London Branch acts as transfer agent (the "**Transfer Agent**") and will provide certain transfer agency services to the Issuer in respect of the Registered Bonds. Deutsche Bank Luxembourg S.A. will act as registrar (the "**Registrar**") and will provide certain registrar services to the Issuer in respect of the Registered Bonds.
Revolving Credit Facility Providers	Canadian Imperial Bank of Commerce, London Branch and National Westminster Bank plc (the "**Revolving Credit Facility Providers**").
Secured Creditors	The Secured Creditors will comprise any person who is a party to, or has acceded to, the STID as a Secured Creditor.
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**").
SEW	South East Water Limited, a company incorporated in England and Wales with limited liability (registered number 2679874), which holds an Instrument of Appointment dated 14 December 2007 under sections 6(1) and 7(2) of the Water Industry Act 1991, as amended (the "**WIA**") (as in effect on 1 September 1989) under which the then Secretary of State for the Environment and the Secretary of State for Wales appointed SEW as a water undertaker under the WIA for the areas described in the Instrument of Appointment. SEW is a 100 per cent. subsidiary of SEWH.

SEW Financing Group	The SEW Financing Group comprises SEW, SEWH, Cayman Issuer and the Issuer as at the date of this Prospectus.
SEWH	South East Water (Holdings) Limited, a company incorporated in England and Wales with limited liability (registered number 4771490). SEWH is a 100 per cent. subsidiary of HWUK.
Term Facility Provider	Crédit Agricole Corporate and Investment Bank

CHAPTER 2
OVERVIEW OF THE PROGRAMME

The following section does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this document 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 "*The Bonds*".

Description	Guaranteed Bond Programme.
Programme Size	Up to £2,000,000,000 (or its equivalent in other currencies calculated as described herein) aggregate nominal amount of Bonds Outstanding at any time.
Issuance in Tranches	Bonds issued under the Programme have been and will be issued in Series. Each Series will comprise one or more Tranches of Bonds and each Tranche can be issued in one or more Sub-Tranches, the specific terms of each Sub-Tranche being identical in all respects, save for the issue dates, interest commencement dates and/or issue prices, to the terms of the other Sub-Tranches of such Tranche. The specific terms of each Tranche of Bonds will be set out in the applicable Final Terms.
Issue Dates	The date of issue of a Tranche of Bonds as specified in the relevant Final Terms (each an "**Issue Date**").
Currencies	Euro, Sterling, U.S. dollars and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency (as defined in the Conditions).
Issue Price	Bonds have been and may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Interest	Bonds will, unless otherwise specified in the relevant Final Terms, be interest-bearing and interest 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 will accrue at a fixed or floating rate (plus, in the case of Indexed Bonds, amounts in respect of indexation) and 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 will be calculated on the basis of such Day Count Fraction (as defined in the Conditions) as may

	be agreed between the Issuer and the relevant Dealer as specified in the relevant Final Terms.
Form of Bonds	The Bonds in issue at the date of this Prospectus have been issued under the Programme in bearer form. Further Bonds issued under the Programme will be issued in bearer or registered form as described in Chapter 8 "*The Bonds*". Registered Bonds will not be exchangeable for Bearer Bonds.
Fixed Rate Bonds	Fixed Rate Bonds will bear interest at a fixed rate of interest payable on such date or dates as may be agreed between the 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 basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (ii) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Tranche of Floating Rate Bonds.
Indexed Bonds	Payments of interest and principal in respect of Index Linked Bonds may be calculated by reference to an Index Ratio, derived from either: (i) the UK Retail Prices Index (the "**RPI**") (all items) published by the Office for National Statistics or the relevant successor index ("**RPI Linked Bonds**"); (ii) the UK Consumer Prices Index (the "**CPI**") (all items) published by the Office for National Statistics or the relevant successor index ("**CPI Linked Bonds**"); or (iii) the UK Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax ("**CPIH**") (all items) published by the Office for National Statistics or the relevant successor index ("**CPIH Linked Bonds**").
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 in respect of 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 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 an Event of Default) or that such Bonds will be redeemable at the option of the

Issuer and/or the Bondholders upon giving notice to the Bondholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer, in each case as set out in the applicable Final Terms.

If specified in the applicable Final Terms, the Issuer will have the option to redeem or purchase the Bonds early at a make-whole amount determined in accordance with Condition 8(b)(iv) of the Bonds, or otherwise at any other amount specified, and at any time(s) specified, in such Final Terms.

Redemption for Index Event, Taxation or Other Reasons

Upon the occurrence of certain index events (as set out in Condition 8(c) (*Redemption for Index Event, Taxation or Other Reasons*)), the Issuer may redeem the Indexed Bonds at their Principal Amount Outstanding together with accrued but unpaid interest and amounts in respect of indexation and any and all amounts due and payable by the Issuer to any Financial Guarantor under the Finance Documents.

In addition, in the event of the Issuer becoming obliged to make any deduction or withholding from payments in respect of the Bonds (although the Issuer will not be obliged to pay any additional amounts in respect of such deduction or withholding) the Issuer may (a) use its reasonable endeavours to arrange for the substitution of another company incorporated in an alternative jurisdiction (subject to the consent of any Financial Guarantor and certain other conditions as set out in Condition 8(c) (*Redemption for Index Event, Taxation or Other Reasons*) of the Bonds) and, failing this, (b) redeem (subject to certain conditions as set out in Condition 8(c) (*Redemption for Index Event, Taxation or Other Reasons*) of the Bonds) 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 Tranche or Sub-Tranche of Bonds may be redeemed in these circumstances unless all the other Tranches and Sub-Tranches of Bonds are also redeemed in full at the same time. In addition, if such Bonds are Wrapped Bonds, the Issuer shall also pay any and all amounts due to the relevant Financial Guarantor under the Finance Documents in respect of such Wrapped Bonds.

In the event of SEW electing to prepay an advance (in whole or in part) under an Issuer/SEW Loan Agreement, the Issuer shall be obliged to redeem all or the relevant part of the corresponding Sub-Tranche of Bonds or the proportion of the relevant Sub-Tranche which the proposed prepayment amount bears to the amount of the relevant advance under the relevant Issuer/SEW Loan Agreement. In addition, if such Bonds are

Wrapped Bonds, the Issuer shall also pay any and all amounts due to the relevant Financial Guarantor under the Finance Documents in respect of such Wrapped Bonds.

The Financial Guarantors do not and will not guarantee any of the amounts payable by the Issuer upon an early redemption of Wrapped Bonds and their obligation will be to continue to make payments in respect of the relevant Wrapped Bonds pursuant to the relevant Financial Guarantee on the dates on which such payments would have been required to be made had such early redemption not occurred.

The 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 may be agreed between the Issuer and the relevant Dealer save that (i) in the case of any Bonds which are to be issued and admitted to trading on a regulated market within the European Economic Area or offered, for the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum specified denominations shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Bonds); and (ii) the minimum denomination of each Bond will be such as may in any other case be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Taxation

Payments in respect of Bonds or under any relevant Financial Guarantee 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. In that event and to that extent, the Issuer and, to the extent there is a claim under the relevant Financial Guarantee, the relevant Financial Guarantor will make payments subject to the appropriate withholding or deduction. No additional amounts will be paid by the Issuer or the Guarantors or, to the extent there is a claim under the relevant Financial Guarantee, by the relevant Financial Guarantor in respect of any withholdings or deductions, unless otherwise specified in the applicable Final Terms or, in the case of the relevant Financial Guarantor, the relevant Financial Guarantee.

Status of the Bonds

The Bonds in issue at the date of this Prospectus constitute, and any further Bonds issued under the Programme will constitute, secured obligations of the Issuer with the benefit of the same security interests. Each Sub-Tranche of Bonds 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 (a) the Issuer in accordance with the terms and conditions of the Bonds (the "**Conditions**") and the trust deed (the "**Bond Trust Deed**") entered into by the Obligors and the Bond Trustee in connection with the Programme and (b) in the case of the Wrapped Bonds only, the relevant Financial Guarantor in certain circumstances in accordance with a Financial Guarantee.

The Wrapped Bonds and the Unwrapped Bonds will rank *pari passu* with respect to payments of interest and principal. However, only the Wrapped Bonds will have the benefit of the relevant Financial Guarantee.

Covenants

The representations, warranties, covenants (positive, negative and financial) and events of default which will apply to, among other things, the Bonds are set out in the common terms agreement dated the Initial Issue Date (as amended and restated on 14 December 2007 and as further amended and restated from time to time (the "**CTA**")). See Chapter 7 "*Summary of the Financing Agreements*" under "*Common Terms Agreement*".

Guarantee and Security

The Bonds in issue have been, and any further Bonds issued under the Programme will be, unconditionally and irrevocably guaranteed and secured by each of the Issuer, the Cayman Issuer and SEW (as Restricted Chargors) and SEWH pursuant to a guarantee and security agreement (the "**Security Agreement**") entered into by each of the Issuer, the Cayman Issuer, SEW (as Restricted Chargors) and SEWH in favour of the Security Trustee over the entire property, assets, rights and undertaking of each of the Issuer, the Cayman Issuer, SEW (as Restricted Chargors) and SEWH (the "**Security**"), in the case of SEW to the extent permitted by the WIA and the Licence. Each such guarantee constitutes a direct, unconditional and secured obligation of each of the Issuer, Cayman Issuer, SEW and SEWH. The Security will be 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). The Security granted pursuant to the Security Documents has characteristics that demonstrate the capacity to produce funds to service any payments due and payable under the Bonds.

Intercreditor Arrangements	The Secured Creditors, the Cayman Issuer and each Obligor are, and will each be, party to a security trust and intercreditor deed dated the Initial Issue Date (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 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 "*Summary of the Financing Agreements*" under "*Security Trust and Intercreditor Deed*".
Status of Financial Guarantees in relation to Wrapped Bonds	Each Financial Guarantee issued in favour of the Bond Trustee in relation to each Sub-Tranche of Wrapped Bonds is and will be a direct, unsecured obligation of the relevant Financial Guarantor which will rank at least *pari passu* with all other unsecured obligations of such Financial Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application, pursuant to which the relevant Financial Guarantor will guarantee the timely payment of interest and principal (other than the FG Excepted Amounts) on the relevant Sub-Tranche of Wrapped Bonds. For the avoidance of doubt, the Issuer may not as of the date of this Prospectus issue Wrapped Bonds pursuant to this Prospectus.
Reimbursement	The Issuer is obliged, pursuant to the terms of a guarantee and reimbursement deed with the relevant Financial Guarantor in respect of any Sub-Tranche or Sub-Tranches of Wrapped Bonds, among other things, to reimburse such Financial Guarantor in respect of payments made by it under the relevant Financial Guarantee or Financial Guarantees of such Sub-Tranche or Sub-Tranches of Bonds. Each such Financial Guarantor will be subrogated to the rights of the relevant Wrapped Bondholders against the Issuer in respect of any payments made under such Financial Guarantees. See Chapter 7 "*Summary of the Financing Agreements*" under "*Financial Guarantor Documents*".
Authorised Credit Facilities	Subject to certain conditions being met, the Issuer and (for certain indebtedness) SEW is permitted to incur indebtedness under authorised credit facilities (each an "**Authorised Credit Facility**") with an Authorised Credit Provider, providing loan, hedging, finance leases, liquidity facilities and other facilities (including Financial Guarantees) subject to the terms of the CTA and the STID. Each Authorised Credit Provider will be party to the CTA and the STID and may have voting rights

thereunder. See Chapter 7 "*Summary of the Financing Agreements*".

On 15 August 2025, the Revolving Credit Facility Providers provided an Authorised Credit Facility to SEW in the form of a £150 million revolving credit facility to fund capital expenditure that qualifies for addition to the RCV relating to SEW in accordance with the capex programme agreed from time to time with Ofwat (the "**Revolving Credit Facility**").

On 15 August 2025, the Term Facility Provider provided an Authorised Credit Facility to SEW in the form of a £30 million term facility to be applied in accordance with the Green Finance Framework (as defined therein) (the "**Term Facility**").

DSR Liquidity Facility

The DSR Liquidity Facility Providers have made available to the Cayman Issuer a credit facility (the "**Existing DSR Liquidity Facility Agreement**"). Such credit facility can be drawn upon to, among other things, make payments in respect of interest that is payable in respect of Senior Debt. The Issuer may accede to the Existing DSR Liquidity Facility or may enter into another DSR Liquidity Facility pursuant to the terms of the CTA. The Cayman Issuer or the Issuer is obliged, pursuant to the CTA, to maintain through a DSR Liquidity Facility (or DSR Liquidity Facilities) and/or amounts in the First Loss Account an amount or amounts which is/are in aggregate at least equal to the aggregate of projected Senior Debt Interest for the succeeding 12 months.

O&M Reserve Facility

The O&M Reserve Facility Provider has made available to the Cayman Issuer a liquidity facility in the sum of £33,000,000, the proceeds from which have been or will be on-lent by the Cayman Issuer to SEW for the purpose of meeting SEW's operating and maintenance expenses.

Listing

An application will be made to admit Bonds issued under the Programme to the Official List and to admit them to trading on the London Stock Exchange's Market.

Ratings

The ratings assigned to the Unwrapped Bonds by the Rating Agencies reflect only the views of the Rating Agencies. The initial ratings of a series of Bonds will be as 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 SEW.

Governing Law

The Bonds in issue are, and any further Bonds issued will be, and all non-contractual obligations arising from or in connection with any such Bonds are, or will be (as the case may 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 European Economic Area, the United Kingdom, and such other restrictions as may be required in connection with the offering and sale of a particular Sub-Tranche of Bonds. See Chapter 12 "*Subscription and Sale*". The Bearer Bonds will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") unless (i) the relevant Final Terms state that Bearer Bonds are to be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or (ii) the Bearer Bonds are to be issued other than in compliance with the TEFRA C Rules or the TEFRA D Rules but in circumstances in which the Bearer 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.

CHAPTER 3
RISK FACTORS

The following sets out certain aspects of the Programme documentation and the activities of the SEW Financing Group about which prospective Bondholders should be aware. The occurrence of any of the events described below could have a material adverse impact on the business, financial condition or results of operations of the Issuer, SEW 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 Issuer, SEW or the other Obligors face. The Issuer, SEW 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 Issuer, SEW 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. Further, any prospective Bondholder should take its own legal, financial, accounting, tax and other relevant advice as to the structure and viability of its investment. 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 Sub-Tranche receive payment of interest or repayment of principal from the Issuer in respect of such Bonds, or from a Financial Guarantor in respect of the Wrapped Bonds, on a timely basis or at all. Investors may lose all or part of their investment.

LEGAL AND REGULATORY CONSIDERATIONS

In particular, potential investors should be aware of the following:

Regulatory, Debt and Equity Outlook of SEW

SEW operates within an economic regulatory framework whereby Ofwat sets price controls on the revenues that SEW can raise and, together with the Environment Agency and the Drinking Water Inspectorate (each sponsored by DEFRA), monitors and enforces compliance with SEW's Licence and service obligations. The Environment Agency and Drinking Water Inspectorate monitor and enforce compliance with SEW's environmental obligations.

As detailed further in Chapter 5 (*Description of the SEW Financing Group*), (*Planning and Investment*), (*Ofwat Undertakings*), SEW may incur material regulatory fines and penalties in respect of breaches of Licence conditions or statutory requirements. Any such penalty could reduce SEW's cash flows and liquidity, impair its financial ratios and affect the assessment of SEW's financial resilience by rating agencies and creditors. On 14 July 2026, Ofwat published the Ofwat Operational Undertakings and Ofwat Downgrade Undertakings, following the Moody's Downgrade and various supply interruptions, in lieu of other regulatory action. There could be future operational outages and supply interruption as SEW implement their transformation programme (see chapter 5 "*Description of the SEW Finance Group – Project Lighthouse*"). There can be no assurance that any future Ofwat enforcement action or penalty will not be imposed on SEW, or that the amount of any such penalty will not be material.

Financial penalties, a deterioration in SEW's financial performance on a related basis or otherwise, adverse liquidity projections, or any combination of the above could lead to a further downgrade of SEW's credit ratings by one or more rating agencies. Any such downgrade could increase the cost at which SEW and the Issuer is able to raise debt in the capital markets and reduce the pool of investors willing to invest in the Bonds or other securities issued by the Issuer. This would in turn increase SEW's financing costs and reduce its financial flexibility, further impairing its financial ratios and potentially increasing the risk of further rating action, which would further challenge SEW's liquidity position whilst simultaneously exacerbating the difficulty of any further debt raises.

As detailed in Chapter 3 (*Risk Factors*), (*Financial Covenants*) and (*Trigger Events and Events of Default under the Finance Documents*), the Common Terms Agreement contains certain Trigger Events and Events of Default, and if a Trigger Event occurs and is not waived or deemed remedied, consequences include restrictions on Restricted Payments and requirements to engage with the Security Trustee and implement remedial actions, which could affect liquidity and financial flexibility. A Trigger Event (or Event of Default) would also, amongst other consequences, prevent SEW from raising significant incremental (or in Event of Default, any) Financial Indebtedness (for more information on Trigger Events and their consequences, see Chapter 7 (*Summary of the Financing Agreements*)). If SEW is unable to raise debt to fund, *inter alia*, its capital expenditure programme, it may be unable to carry out the investment required to meet its regulatory and statutory obligations during AMP8. If that is the case, whether as a result of a Trigger Event preventing access to new debt, or as a result of increased financing costs making debt prohibitively expensive, or a combination of both or other factors, SEW may fail to meet its obligations under its Licence, its statutory duties under the WIA and its performance commitments under the PR24 final determination. Such failures could in turn give rise to further Ofwat enforcement action and additional financial penalties, thereby compounding the deterioration in SEW's financial position.

These operational and financial challenges make it more likely that SEW may fail to meet key customer service and regulatory standards, including those set by Ofwat or specified in SEW's Instrument of Appointment. Notably, under the Outcome Delivery Incentive ("**ODI**") regime, financial and other penalties may be imposed for underperformance across measures such as water supply interruptions, leakage, and water quality compliance. SEW has previously incurred penalties, and failure to improve or maintain performance may result in further penalties, further constraining available funds for reinvestment and improvement. SEW is taking steps to mitigate and manage these risks, however some are outside of its control.

More broadly, there is a risk that SEW is unable to deliver its AMP8 business plan in its entirety, including both its capital investment programme and its operational performance commitments. SEW considers that the PR24 Final Determination does not provide sufficient totex allowances to fund delivery of the required outcomes, and referred the determination to the CMA for redetermination. The CMA issued its final redetermination in March 2026, where it increased the overall totex allowances for SEW, but by less than SEW had requested. SEW may face a structural shortfall between its regulatory cost allowances and its actual expenditure due to this shortfall or if SEW is unable to achieve the efficiency assumptions embedded in its business plan. This could result in ODI underperformance penalties, reputational damage with Ofwat and customers, adverse consequences for future periodic reviews, and adverse effects on SEW's financial resilience and ability to meet its obligations under the Finance Documents.

SEW raised equity of £150 million in September 2023 to prepay a variable rate at the SEWH level, £75 million in the financial year ended 31 March 2025 and £200 million in the financial year ended 31 March 2026 from its shareholders to support its financial resilience and capital investment programme. The PR24 business plan did not envisage further equity injections from shareholders during AMP8.

The occurrence of any one or more of the above risks, and in particular the potential for each to exacerbate the others, could result in a material adverse effect on SEW's financial condition, its ability to invest in its assets and operations, its ability to meet its statutory and regulatory obligations and obligations under the Finance Documents, and ultimately the ability of the Issuer to meet its payment obligations under the Bonds.

Damage to Corporate Reputation or Brand Perception

SEW's ability to operate effectively and to attract funding from debt markets depends in part on its reputation and the perception of its business by regulators, customers, investors and the public. Events giving rise to adverse publicity or regulatory criticism could materially damage SEW's reputation.

As described above (see Chapter 3 (*Risk Factors*), (*Regulatory, Debt and Equity Outlook of SEW*)) Ofwat issued a notice proposing to issue an enforcement order and impose a financial penalty on SEW for alleged contraventions of section 37 of the WIA and Licence Condition P12 in connection with supply interruption incidents and has accepted the Ofwat Operational Undertakings. These proceedings and findings have attracted significant public and media attention. In addition, in November and December 2025, SEW suffered supply interruptions affecting 24,000 customers in the Pembury and Tunbridge Wells area, which arose in connection with amongst other factors, a change in the raw water quality which meant the pre-treatment stage of the water treatment process failed at Pembury Water Treatment Works. In January 2026, a further supply interruption due to, *inter alia,* extreme weather events, increased demand, burst water mains, power failures and the loss of bulk water supply, affected approximately 77,000 customers covering Tunbridge Wells, East Grinstead, Maidstone and Canterbury areas. These incidents had significant costs associated with them (the incidents together being the "**2025/26 Supply Interruptions**"). The 2025/26 Supply Interruptions have attracted sustained media coverage. In May 2026, a further supply interruption due to, *inter alia*, extreme weather events, exceptional demand, and increased water main bursts affected 12,000 customers primarily in the East Kent region. In July 2026, a further supply interruption due to, *inter alia*, instrument failure, exceptional demand and an unprecedented extended heatwave, affected customers across the Kent and Sussex regions. On a forward-looking basis, SEW's reputational position will also be affected by its performance under the AMP8 regulatory period and its ability to meet the obligations set under the PR24 final determination. There is a risk that adverse performance during AMP8 could result in further regulatory action or criticism at the periodic review of price limits and performance commitments for water and wastewater companies in England and Wales conducted by Ofwat for the regulatory period commencing on 1 April 2030 ("**PR29**") that could also damage SEW's reputation.

On 1 May 2026 the Environment, Food and Rural Affairs Committee ("**EFRA**") published their findings from a select committee which focused heavily on the governance and operational challenges facing SEW (the "**EFRA Report**"). The EFRA Report concluded, amongst other things, that there needed to be a change of leadership amongst the executive team at SEW to allow for a change of culture at SEW.

Since the EFRA Report was published, the Chair resigned on 1 May 2026 and the CEO resigned on 7 May 2026. The Chair was replaced immediately with an interim Chair, Lisa Clement. A new CEO, John Halsall replaced the outgoing CEO on 23 July 2026. Further change in senior leadership will likely impact the governance at SEW. There may be delays in finding suitable replacements and it will take time for the impact of new senior leadership on the culture at SEW to be realised. As strong governance is required to meet SEW's statutory and regulatory obligations, uncertainty surrounding the replacements of the Chair could adversely affect SEW's ability to govern its business effectively which could further damage SEW's corporate reputation and brand perception and may lead to further adverse findings and scrutiny from EFRA.

Any further incidents of aforementioned nature, or any adverse regulatory findings arising from the current or any future Ofwat investigations or enforcement proceedings, could cause further reputational damage to SEW and adversely affect its ability to operate, to interact constructively with regulators, to raise financing on favourable terms, and ultimately adversely affect the ability of the Issuer to meet its payment obligations under the Bonds.

Extreme Weather Events and Climate Change

SEW's operations are subject to the risk of disruption arising from extreme weather events, including severe cold weather, drought, flooding and storms. Extreme weather can damage water infrastructure, increase leakage, reduce source water quality, increase demand for water and otherwise disrupt operations. Any such disruption could result in supply interruptions, additional operational costs, customer compensation liabilities and reputational damage, such as the circumstances partly giving rise to the 2025/26 Supply Interruptions. There can be no assurance that similar weather events will not recur or that they will not cause further disruption to SEW's operations, additional costs or further regulatory scrutiny.

Climate change is expected to increase the frequency and severity of extreme weather events, including extreme cold spells, heatwaves and flooding. In addition, SEW's supply area in the South East of England is one of the most water-stressed regions in England and is particularly vulnerable to the effects of climate change on water availability. Prolonged droughts could reduce the availability of water resources available to SEW for abstraction, increase treatment costs and require SEW to invest in alternative or supplementary water sources. Any such increase may require additional investment in infrastructure resilience that exceeds SEW's current capital investment programme.

Regulatory requirements relating to climate change adaptation and mitigation are evolving. Changes in law or regulation designed to address climate change, including requirements to reduce greenhouse gas emissions, obligations in relation to water resource planning and adaptation, or changes to abstraction licensing, could impose additional costs on SEW or affect the assumptions underlying the PR24 final determination and future periodic reviews. Any failure to adapt to the effects of climate change, or to meet climate-related regulatory requirements, could affect SEW's business, financial condition, reputation, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Special Administration

As set out in Chapter 6 "*Regulation of the Water Industry in England*" under "*Special Administration Orders*", an application may be made for a Special Administration Order in certain circumstances. These include where: (i) SEW is or has been in contravention of a principal duty under the WIA and, in the circumstances prescribed by section 24 of the WIA, or there has been a failure to comply with undertakings accepted from SEW following a notice under section 19(3) of the WIA or with a final or confirmed provisional enforcement order, and the contravention is sufficiently serious to make it inappropriate for SEW to continue to hold its Licence; or (ii) SEW is unable, or is likely to be unable, to pay its debts or a creditor has petitioned for the winding up of SEW. A Special Administration Order may only be made by the High Court on an application by the Secretary of State or Ofwat (with the consent of the Secretary of State); neither Ofwat nor the Secretary of State may itself place SEW into special administration. The statutory enforcement framework also permits Ofwat to accept enforceable undertakings instead of making an enforcement order. Accordingly, special administration would be expected to be a last resort in the most serious of cases, where undertakings or other available enforcement measures are not considered viable or adequate. The duties and functions of a Special Administrator differ in certain important respects from those of an administrator of a company which is not a Regulated Company (defined in Chapter 6 below).

On 22 March 2023, the House of Lords Industry and Regulators Committee published a report on its inquiry into the work of Ofwat. The Committee recommended that Ofwat be more proactive in using its special administration powers to change the management of continued poor performers in the sector.

Ofwat subsequently acknowledged that it would be more proactive in using these powers where appropriate, 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, such as through the aforementioned undertakings given under section 19(3) of the WIA. 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 established and where other means are inadequate, (ii) should only be utilised where appropriate. The Government also acknowledged that Ofwat is expected to allow funding for water companies to fulfil their statutory duties. During the period of the Special Administration Order, SEW 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. As noted above, while the order is in force, no steps may be taken to enforce any security over the property of a company 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. 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 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 an administration for a company which is not a Regulated Company.

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 entity responsible for complying with the undertakings (the "**Undertaker**") functions, or the order has been made on any other grounds, the purposes of the order consist of:

(i) transferring to one or more different Undertakers as much of the business of the Undertaker in special administration as is necessary in order to ensure that the functions which have been vested in such an Undertaker by virtue of its Appointment are properly carried out; and

(ii) 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, which may provide for the transfer of the property, rights and liabilities of the existing Regulated Company to the new Regulated Company(ies). It may also mean that SEW's Licence would be terminated and the instrument of appointment of the Regulated Company receiving the relevant property, rights and liabilities would be made or modified, including, where applicable, by extending its appointed area to include the area previously served by SEW.

In addition, pursuant to sections 23(3), (3A), and 153 of the WIA, and regulation 35 of the WISAR Regulations (as defined below) the Secretary of State may, with the consent of H.M Treasury, and in accordance with provided financial assistance in connection with the special administration, including by way of grants, loans guarantees and indemnities. Specified amounts payable by SEW in respect of such financial assistance would benefit from statutory priority over the special administrator's remuneration and expenses. Additionally, the Secretary of State is now able to modify water companies' instruments of appointment to recover any shortfall that it does not expect to otherwise recover in the case of special administration under the WSMA. If any such orders for payment or modifications to SEW's Instrument of Appointment are made, this could impair SEW's ability to pay the principal and interest under the Intercompany Loans, and consequently could adversely affect the Issuer's ability to make full and timely payments under the Bonds.

Further, 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. The termination of SEW's Licence and the transfer under a transfer scheme of the relevant property, rights and liabilities of SEW to one or more replacement Regulated Companies under the Special Administration Order would have a material adverse impact on SEW's business, its financial condition or operational performance which in turn could result in SEW having insufficient revenues to meet its obligations under the Intercompany Loans and affect the Issuer's ability to make full and timely payments under the Bonds.

Licence Modifications

As further described in Chapter 6 "*Regulation of the Water Industry in England*", SEW needs to operate in accordance with its licence conditions. Under the WIA, licence conditions may be modified by Ofwat with or without SEW's consent.

The Environment Act 2021 introduced new provisions into the WIA which give Ofwat the power 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. There is, however, a process that must be followed before such a situation occurs, including that Ofwat or the Secretary of State (as applicable) must consider any representations or objections made by the existing Regulated Company and other consultees. For example, please see Risk Factor "*Impact of Ofwat adopting tighter regulatory measures to achieve financial resilience*".

The UK Secretary of State has a power to veto modifications proposed by Ofwat, within a specific timeframe. Should a modification to the licence be made, SEW is entitled to appeal the modification to the Competition and Markets Authority ("**CMA**"). In determining whether to grant an appeal, the CMA is to have regard to the matters in relation to which duties are imposed on the Secretary of State and Ofwat and the strategic priorities and objectives published by the Secretary of State for Ofwat in carrying out its functions.

Modifications could also potentially follow from the results of a decision on a merger or market investigation reference by the CMA under the Enterprise Act if it concludes that matters under investigation in relation to water or sewerage services were anti-competitive or, in certain circumstances, against the public interest.

In addition, the Secretary of State has a power to veto certain proposed modifications agreed by Ofwat and SEW if it appears to the Secretary of State that the modifications should only be made, if at all, after a reference to the CMA.

Primary legislation can create powers for the making of modifications by Ofwat without the consent of Regulated Companies. For example, section 55 of the Water Act 2014 provides for modification of a licence where necessary and expedient as a consequence of a provision made by or under Part 1 of the Water Act 2014.

Licence modifications could have a material impact on SEW's profitability. Any failure by SEW to comply with the conditions of its licence, including following any modifications, could result in substantial fines or loss of licence, legal proceedings and have a negative impact on operations and reputation. Such consequences could affect SEW's (i) business, (ii) results of operations and overall financial condition, (iii) its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, and (iv) compliance with its obligations under the Licence and legislation, which could all ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Breach of Licence Conditions

As described in Chapter 6 "*Regulation of the Water Industry in England*" under "*Enforcement Powers*", a failure by SEW to comply with the conditions of its Licence or certain statutory duties may lead to the making of an Enforcement Order or the imposition of financial penalties of up to 10 per cent. of SEW's turnover for each breach, which could have a material adverse impact on SEW. Failure by SEW to comply with any

Enforcement Order (as well as certain other defaults) may lead to the making of a Special Administration Order. See the Risk Factor entitled "*Regulatory, Debt and Equity Outlook of SEW*" for more information on recent developments in relation to breaches of licence conditions and statutory duties. This could affect SEW's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation, and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Termination of the Licence

As described in Chapter 6 "*Regulation of the Water Industry in England*" under "*Termination of a Licence*", there are certain circumstances under which SEW could cease to hold its Licence for all or part of its region. The termination or transfer of the Licence could have a material adverse impact on SEW and, consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Under Section 9(4) of the WIA, if the Secretary of State or Ofwat were to make an appointment or variation replacing SEW 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 SEW's creditors were not unfairly prejudiced by the terms on which the successor Regulated Company (or Companies) replacing SEW could accept transfers of property, rights and liabilities from SEW. There is, however, a process that must be followed before such a situation occurs, including that Ofwat or the Secretary of State (as applicable) must consider any representations or objections made by the existing Regulated Company and other consultees.

Thus far there is no precedent to indicate how compulsory licence terminations or Special Administration Orders would work in practice for Regulated Companies with water licence customers and with activities regulated by the Water Supply Licensing ("**WSL**") regime, nor is there any precedent for such Regulated Companies to indicate the extent to which creditors' interests would be protected.

The termination or transfer of the Licence could affect SEW's business, materially adversely affect SEW's financial condition, and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Political Intervention in the Water Sector

The UK water industry continues to see a high level of public scrutiny by regulators and key stakeholders, including the UK Government, parliamentarians and local politicians. There remains a significant amount of negative public, media and political scrutiny of the UK water industry, particularly 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 UK Government to take action and/or reform the regulatory regime that applies to the UK water sector, including that which applies to SEW.

Following the election of a new Labour party government in the UK general election on 4 July 2024, the Water (Special Measures) Act 2025 (the "**WSMA**") received Royal Assent on 24 February 2025 and has and will continue to come into force on a piecemeal basis (during 2025 and on other dates to be appointed by the Secretary of State). The WSMA is intended to strengthen regulation by giving Ofwat new powers and imposing stricter obligations on water companies. As of the date of this Prospectus, the WSMA has only recently come into force and, with the implementation of certain measures yet to be finalised it is unclear how it will affect regulation and enforcement in the water sector. However, the applicability of the WSMA to SEW creates the potential for SEW to be subject to heightened intervention and regulatory scrutiny, a consequence of which is an increased likelihood of fines and penalties, as well as reputational risk. This could be detrimental to SEW and could affect SEW's business, results of operations and overall financial condition, and its ability to raise finance, and ultimately affect the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For further information on the WSMA, see Chapter 6 "*Regulation of the Water Industry in*

England" under "*Water Regulation Generally – Drinking Water and Environmental Regulation - Environment*".

A number of consultations have been conducted or are, as of the date of this Prospectus, underway to establish certain rules envisaged by the WSMA. In addition, a number of investigations and inquiries have taken place (including by the Environment, Food and Rural Affairs Committee, the Office for Environmental Protection (the "**OEP**") and the National Audit Office) which have resulted in the publication of various related reports recommendations and policy papers, and enforcement action has already been taken by Ofwat using certain of its new WSMA powers. For more information on these consultations, investigations and reports, please see Chapter 6 (*Water Regulation*) - "*Economic Regulation*" – "*Environment*".

On 23 October 2024, the UK Government announced the appointment of a new Independent Water Commission (the "**Commission**"), chaired by Sir Jon Cunliffe, to carry out a wide-ranging review of the sector, including regulation, strategic management and planning, the performance and resilience of water companies, and consumer protection. The Commission issued its final report on 21 July 2025, recommending "ambitious change" to drive a "fundamental reset" of the water sector, with its 88 recommendations focussing on seven areas. The final report contains wide-ranging recommendations in relation to strategic direction, sector planning, regulatory reform and methodology (including the abolishment of Ofwat and the creation of a single regulator in England and a single regulator in Wales), consumer protection, affordability, ownership and governance, investability, financial resilience, competition, asset resilience and health, and infrastructure delivery. In January 2026, the Government released a white paper on Water ("**A New Vision for Water**") setting out its response and action plan. The white paper New Vision for Water confirms the intention to implement wide-ranging reforms to the water sector, including (among other actions): (i) the abolition of Ofwat and creation of a new single integrated water regulator, bringing together the relevant functions of Ofwat, the Drinking Water Inspectorate, the Environment Agency, and Natural England; (ii) reforms to the price-review framework and amendments to appeal rights for price reviews; (iii) reforms to set clearer long-term direction, adoption of a new supervisory approach to regulation, adoption of regional water planning functions, and the creation of an independent water ombudsman; (iv) rationalising and simplifying performance commitments; (v) introducing new financial resilience measures; and (vi) introduction new environmental and resilience standards and monitoring. This year the Government intends to publish a Transition Plan setting out a roadmap for reform. For more information on the Commission's Final Report, please see Chapter 6 (*Regulation of the Water Industry in England*) - "*Economic Regulation*" – "*Environment*".

In light of these recent legislative and policy developments, as of the date of this Prospectus, there can be no certainty as to what further changes will be made to the regulatory regime to which SEW and other companies in the UK water sector are subject as a result of these or any future processes, reports and announcements. The proposed changes, ongoing consultations, regulatory reviews and policy developments relating to the sector may result in stricter enforcement, increased financial penalties and more onerous compliance requirements that could have an adverse impact on SEW's overall financial condition and its ability to pay the principal and interest under the Intercompany Loans, and consequently the Issuer's ability to meet its obligations under the Bonds. Any future government may take a different position to that taken by the current UK Government. Future intervention by governments in the water industry, or changes in governmental policy, may be detrimental to SEW and could affect SEW'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 Issuer's ability to meet its obligations under the Bonds.

Following the resignation of Sir Keir Starmer as Prime Minister of the UK and leader of the Labour Party, Andy Burnham was elected as Labour leader and became Prime Minister of the UK on 20 July 2026. During his previous campaigns, Mr Burnham has publicly expressed support for bringing essential public services, including utility companies, back under public control. While there can be no certainty as to the form, extent or timing of any such measures, any steps towards full or partial nationalisation of the UK water sector, or material changes to the ownership or governance structures of water companies, could have an adverse effect on SEW's business, financial condition and results of operations, and could ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Competition in the Water Industry

Competition may increase through inset appointments and the water supply licensing regime (including lower eligibility thresholds), which could adversely affect SEW's turnover, business, operational performance, profitability and financial condition.

The non-household retail water market has been open to competition since April 2017 following the implementation of the Water Act 2014, enabling eligible business customers to switch their retail water supplier. Under the Water Act 2014, the Secretary of State may reduce the eligibility threshold for inset appointments, which could expose SEW to greater competitive pressure on its supply area. In addition, Ofwat has powers to grant water supply licences to new entrants and to facilitate the granting of inset appointments, which could result in the loss of part of SEW's supply area or customer base to competitors.

Ofwat has also used regulatory policy and practice to introduce some competition into the water value chain. This has included introducing the bid assessment framework for bioresources and establishing Direct Procurement for Customers ("**DPC**"), creating competition for new investments for large discrete new network investment projects. In this competitive model SEW would not own these assets but would collect the revenue enabling their costs to be recovered on behalf of the competitively appointed provider.

In March 2023 Ofwat published its guidance for appointees delivering DPC projects. This sets out its expectations for the commercial model applicable to DPC projects and its approval and assurance processes to support DPC projects as part of PR24.

In January 2026, the Government published the white paper A New Vision for Water. This sets out the Government's desire to create more opportunities for investment and competition, including making the regulatory framework for New Appointments and Variations (NAVs) more proportionate, and amending the Special Infrastructure Projects Regulations ("**SIPR**") to provide a procurement model sitting alongside DPC, with both the SIPR and DPC to be evaluated over the next five years.

For SEW, which operates as a water-only company in the South East of England, any loss of customers or revenue to competitors, whether through inset appointments, water supply licensing or other mechanisms, could materially adversely affect SEW's turnover, financial condition, ability to meet its obligations under the Finance Documents and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Procurement Risk

SEW is now subject to the Procurement Act 2023, which replaced the Utilities Contracts Regulations 2016 and came into force on 24 February 2025. Under this new regime, contracting authorities must continue to follow defined procedures when awarding contracts above specified financial thresholds (currently £415,440 for services, £884,720 for 'light touch' contracts and £5,193,000 for works, including VAT). These procedures are designed to ensure transparency, fairness, and non-discrimination, typically involving publication on the "Find a Tender" service and the conducting of a competitive procurement process.

Failure to comply with the requirements of the Procurement Act 2023 could result in contracts being declared ineffective, expose SEW to damages claims from unsuccessful bidders, and lead to operational disruption and additional costs. Such outcomes could have a material adverse impact on the business, financial condition or operational performance of SEW.

Litigation and Other Proceedings

SEW may from time to time be subject to litigation, arbitration and regulatory proceedings in the ordinary course of its operations. The outcome of any current or future proceedings cannot be predicted with certainty, and an adverse outcome in any proceedings could have a material adverse effect on SEW's financial condition, reputation and operations.

Current Claims

SEW v Elster Meters Limited

SEW is in a contractual dispute with Elster Meters Limited concerning breach of contract in respect of failed meters and associated radio modules, which claim is capped at £10 million limit of liability. Following a ruling in SEW's favour at the Court of Appeal on the question of the scope of liability, which Elster sought to argue limited liability to a lesser warranty claim, the proceedings are currently at the re-pleading stage, with parties reformulating their arguments in light of the Court of Appeal decision. The monetary value of SEW's damages claim is currently under review by a forensic accountant.

SEW v Royal Borough of Windsor and Maidenhead

SEW has lodged an appeal in the Magistrates' Court against a statutory nuisance noise abatement notice issued by the Royal Borough of Windsor and Maidenhead (RBWM) in connection with ongoing noise and vibration arising from the operation of water pumps at the College Avenue Water Treatment Works. The abatement notice requires SEW to implement temporary noise-reduction measures, submit a detailed mitigation plan and complete permanent mitigation works. SEW disputes the proportionality of the notice, contending that the works required are disproportionate to the nuisance caused by an essential public service. Were the notice to be upheld in its current form, the planned engineering works — which would involve the rebuilding of pumping facilities — are estimated to be in excess of £500,000. A court hearing date is currently awaited, at which the Court will ultimately determine the appropriate mitigation steps and associated timescales.

Summerleaze Limited v SEW

Summerleaze Limited has brought a claim against SEW asserting that it has a statutory right to work on mines and minerals at or near SEW's water mains and that the cost of any relocation of SEW's water main arising from such works would fall upon SEW. SEW disputes both claims. The costs of diverting, removing or otherwise taking reasonable steps to protect the relevant water pipe for the duration of the mining works have not been formally quantified but are currently estimated to be in excess of £1 million. The matter is progressing towards a further directions hearing, the primary objective of which is to determine the appropriate scope of expert evidence.

Greywell Abstraction Licence Extension Appeal

The Greywell abstraction in SEW's Western region provides water for communities in the Greywell and Swains Hill area. The Environment Agency has refused SEW's application to extend its abstraction licence for Greywell to March 2031. An immediate cessation of abstraction at Greywell would cause a severe and immediate water shortage for thousands of local residents and businesses reliant on that source. The Board of SEW agreed to lodge a formal appeal to the Planning Inspectorate against this decision. By submitting an appeal, SEW are legally permitted to continue abstracting water from Greywell until the independent appeal process is determined. This ensures that water will continue to be supplied whilst a long-term solution is agreed with the Environment Agency.

Threatened Claims

Southern Water has indicated an intention to bring a claim against SEW in connection with damage to the A26 Maidstone Road arising from a sinkhole that appeared in the highway. Road reinstatement costs are currently estimated at approximately £1.5 million. This claim would have the benefit of insurance cover, subject to a deductible of £100,000. No proceedings have been instigated to date; Southern Water is awaiting receipt of a claim from Kent County Council for recovery of road repair costs before commencing proceedings against SEW.

Kent County Council has indicated a potential claim against SEW in connection with damage to Castle Way, Aylesford, arising from a sinkhole that appeared in the highway. Road reinstatement costs are currently estimated at approximately £1 million. This claim would have the benefit of insurance cover, subject to a deductible of £100,000. No proceedings have been instigated to date, and SEW has denied liability.

SEW REVENUE AND COST CONSIDERATIONS

The significant capital expenditure required to maintain the network presents the risk that the operating revenues generated by SEW from its water business may not be sufficient to enable it to make full and timely payment of amounts due to creditors. This could have a material adverse impact on SEW's financial condition and the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Periodic Review

SEW's revenues and cash flows are materially influenced by Ofwat's periodic reviews (a "**Periodic Review**") (including price limits, service levels and regulatory targets), and an adverse price determination (including from inadequate allowed cost of capital or regulatory assumptions) or unforeseen obligations/costs not compensated in price limits could materially adversely affect SEW's financial performance and cash flows.

An adverse price determination (which would adversely affect revenue, profitability and cash flow) may occur as a result of a number of factors. These include an inadequate allowed cost of capital and/or revenue allowances to meet operating expenditure, required capital expenditure and financing cost activities to deliver SEW's business plan. Revenue, profitability and cashflow may also be affected by the imposition of unattainable performance targets with asymmetric incentives or penalties for over or under performance. 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 SEW.

An adverse price determination would affect SEW's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation and ultimately affect the 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 (*Summary of the Financing Agreements*).

In January 2026, the Government published the white paper A New Vision for Water. This proposes reforms to the periodic review process, including the introduction of a new longer-term 5/10/25 year planning approach, the introduction of a new company-specific supervisory oversight of funding decisions (intended to build upon benchmarking and economic modelling to enable a tailored approach), as well as proposing the ring-fencing of capital maintenance expenditure, and a simpler, less duplicative and more predictable incentive framework with targets set in relation to company's current performance.

The white paper A New Vision for Water also states government's intention to ensure regulated sectors are treated appropriately and consistently including in the setting of the cost of capital, and that regulation should provide the right environment for investors with longer-term approaches reducing risk wherever possible and providing returns that may not be high, but are predictable and reliable.

The final form and operation of these reforms is not yet certain, and the transition to a new framework could give rise to additional financial and performance obligations and risks for SEW and impact available returns.

The white paper A New Vision for Water further proposes reforms to align water with other regulated sectors by replacing the current third-party redetermination led by the Competition and Markets Authority with a more focused appeals process. If implemented, this could change the basis upon which SEW can appeal future price determinations. This may impact SEW's scope to challenge determinations that are adverse to its business.

Interim Determinations

As described in Chapter 6 "*Regulation of the Water Industry in England*" under "*Interim Determinations of K*", an interim determination of price limits (an "**IDOK**") may be made between Periodic Reviews in specified circumstances, including, in the cases of SEW and most other Regulated Companies, the Shipwreck Clause (also known as the substantial effects clause) in the Licence.

There is however no assurance that any IDOK sought by SEW will be made or, if an IDOK or determination pursuant to the provisions of the substantial effects clause is made, that such adjustment or determination, as the case may be, will provide adequate revenue compensation to SEW. Therefore, SEW would have to bear any additional cost from its own resources.

Where funding is considered during an interim determination, Ofwat may determine that the appropriate and reasonable level of cost of fulfilling certain obligations is likely to be less than the cost actually incurred by SEW in fulfilling those obligations. In these circumstances, the funding allowed by Ofwat may not totally cover the actual costs and SEW would bear this additional element from its own resources. This could affect SEW's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Failure by SEW to deliver its capital investment programme

The Appointed Business requires significant capital expenditure for additions to, or replacement of, plant and equipment. The price limits set by Ofwat every five years take into account Ofwat's view of the level of capital expenditure expected to be incurred during the relevant Periodic Review Period and the associated funding costs and operating costs.

If SEW is unable to deliver its capital investment programme at expected expenditure levels or secure the expected level of efficiency savings on its capital investment programme, or the programme falls behind schedule or contains incorrect assumptions by SEW as to the capital investment required, SEW's profitability or performance might suffer because of a need for increased capital expenditure. Ofwat may also factor such failure into future Periodic Reviews by seeking to recover amounts equivalent to the "allowed costs" of any parts of the programme that are not delivered. SEW's ability to meet regulatory output targets and environmental performance standards could also be adversely affected by such failure, which may result in fines imposed by Ofwat of an amount up to 10 per cent. of turnover or other sanctions and further increases in capital expenditure and operating expenditure.

SEW's ability to deliver its capital investment programme in AMP8 depends on a number of factors, including the availability and cost of debt and equity funding, the ability to procure contractors and materials at projected costs, and the absence of Trigger Events or Events of Default under the Finance Documents which restrict SEW's ability to raise new Financial Indebtedness for, *inter alia,* capital expenditure purposes. If SEW is unable to deliver its capital investment programme, whether as a result of funding constraints, cost overruns or otherwise, it may be unable to meet its performance commitments and regulatory obligations under the PR24 final determination, which could result in further enforcement action and penalties by Ofwat. This could affect SEW's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation and ultimately affect the Issuer's ability to meet its obligations under the Bonds. An internal assessment of asset health is being undertaken and is scheduled to be completed by the end of 2026.

Water Asset Health

Failure to maintain "stable" asset serviceability could lead to adverse adjustments in future price determinations and adversely affect SEW. Ofwat assesses the health of water companies' assets through its asset serviceability assessment framework. If SEW fails to maintain its assets in a stable condition, whether as a result of funding constraints, operational failures, extreme weather events or other factors, Ofwat may impose adverse adjustments to SEW's regulatory capital value or price allowances at PR29 or subsequently, which could materially reduce SEW's revenues and therefore SEW's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

The white paper A New Vision for Water proposes work to address sector resilience, including developing forward-looking asset health metrics, developing statutory resilience standards, and making changes to the price control to ensure sufficient funding is allocated to asset health (including by defining and ringfencing capital maintenance expenditure). The impact of these changes is not yet known, but changes in resilience standards or funding for SEW's assets could impact SEW's revenues and result in potential enforcement action if it fails to meet required standards.

AMP8 Customer Service

Failure to meet customer service obligations during AMP8 could result in financial penalties and reputational damage. SEW is subject to customer service obligations under its Licence and further to the PR24 final determination. These include obligations in relation to response times, interruptions to supply, customer complaints and the quality of service delivered to customers. Ofwat monitors and measures performance against these obligations throughout AMP8, and failure to meet required standards may result in financial penalties, regulatory enforcement action and reputational damage.

On 15 January 2026, Ofwat opened an investigation into SEW following the 2025/26 Supply Interruptions, relating to Licence Condition G, namely whether SEW has complied with its obligation to provide high standards of customer service and support for its customers under Licence Condition G. Ofwat indicated in its draft enforcement notice that repeated supply interruption incidents in Kent and Sussex since 2018 were not solely due to extreme weather but were partly attributable to SEW's failures in asset maintenance, systems planning and operational response and incident preparedness. Such findings may affect the assessment of SEW's customer service performance during AMP8. On 14 July 2026, Ofwat accepted SEW's request for the Ofwat Operational Undertakings in lieu of other regulatory enforcement actions. The redress value contained in the Ofwat Operational Undertakings includes the £8 million penalty that Ofwat would have imposed on SEW as a result of the Licence Condition G investigation. There is no assurance that SEW will meet all of its AMP8 customer service obligations, and any failure to do so could result in penalties, enforcement action or adverse regulatory findings that materially adversely affect SEW's business, financial condition, reputation, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

The white paper A New Vision for Water also proposes introducing a package of measures to improve performance across the water sector, including a new Performance Improvement Regime for poorly performing companies that includes both supportive and punitive measures, and a proposal to rationalise the incentive framework so that it is simpler and more predictable. The white paper A New Vision for Water further states the intention to introduce a new independent Water Ombudsman with the power to make legally binding resolutions, as well as to strengthen the customer measure of experience (C-MeX). The impacts of these measures are as yet unknown, but the introduction of new measures, regulatory mechanisms or frameworks could lead to greater enforcement action or impact SEW's ability to meet standards, with the risk that failure to do so could result in penalties, other enforcement action or reputational consequences.

Inflation

Approximately 60 per cent. of SEW's outstanding debt is linked to RPI as at 31 March 2026, including in the form of Indexed Bonds. None of SEW's RPI-linked indebtedness is hedged. Therefore, where revenues cease to be linked to RPI, SEW may be exposed to basis mismatch in respect of these liabilities which may or may not continue to maturity of such outstanding debt depending on the terms of that debt.

From 1 April 2025, 100 per cent. of SEW's RCV is indexed by CPIH.

Since the RAR (a key financial covenant metric under the Common Terms Agreement) is expressed as a ratio of Senior Net Indebtedness to RCV, any sustained divergence between RPI and CPIH, particularly where RPI exceeds CPIH, as has historically been the case, will cause SEW's RPI-accreting indexed debt to grow faster than its CPIH-accreting RCV. This would pressurise the RAR covenant testing independently of any new borrowing, operational underperformance or other adverse development, and could erode SEW's financial covenant headroom over time. None of SEW's exposure to this basis divergence is mitigated by any hedging arrangement.

Exposure to fluctuations in inflation and between different indices on assets and liabilities in the future creates an element of unpredictability and basis mismatch (including where actual inflation differs materially from the assumptions underlying the PR24 final determination) that could have adverse consequences on SEW's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation and ultimately affect the payment of principal and interest under the Intercompany Loans, and consequently the Issuer's ability to meet its obligations under the Bonds issued under the Programme.

Non-recovery of customer debt

Non-recovery of customer debt is a risk to SEW and may cause SEW's profitability 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 limits at each Periodic Review for a proportion of debt deemed to be irrecoverable. To achieve a re-setting of its price limits through an IDOK during a Periodic Review Period when changes in the regulatory assumptions as to the level of non-recoverable debt are material, SEW would need to demonstrate (a) the increase was due to a deterioration in the economy, and (b) SEW has put in place appropriate procedures and measures to mitigate the increase in debt levels. In an environment of high inflation and increased cost of living, compounded by the recent energy crisis as a result of the conflicts in the Middle East and Ukraine, the risk of customer bad debt is heightened. If bad debt levels increase materially, this could adversely affect SEW's financial performance and cash flows. SEW may therefore suffer losses from its inability to recover its debts fully, which could adversely affect SEW's business, operational performance, profitability or financial condition. This could ultimately adversely affect the Issuer's ability to meet its obligations under the Bonds.

People, Talent and Diversity

SEW's business operates across the entire value chain within a highly regulated and technical environment, and relies on its workforce's skills, technical and business knowledge across a wide range of disciplines. SEW must also retain its business know-how, which presents a challenge in operational areas where the workforce is more mature and where knowledge may have been acquired over many years in the field. SEW also relies on key individuals who have acquired detailed technical and company knowledge, and must therefore manage succession planning carefully to avoid disruption to the business.

In a tight job market, there are challenges in attracting and retaining staff in certain technical and skilled areas, and the significant increase in SEW's investment programme during AMP8 means that SEW needs to increase resources in investment delivery functions, such as engineering and asset management. The negative perception of the water sector, linked to considerable media and political scrutiny, is likely to impact on recruitment and retention. SEW also needs to accommodate changing expectations and changes in legislation about flexible working arrangements, while maintaining the cohesiveness and effectiveness of its organisation. Any failure to attract and retain sufficient skilled personnel could adversely affect SEW's ability to deliver its AMP8 capital programme and meet its regulatory performance commitments, potentially giving rise to ODI penalties, enforcement action and reputational damage.

The latest gender pay gap report (March 2026 data) shows a gap of 18.2 per cent. – an improvement of 2.9 per cent. on the prior year – and SEW is outperforming its industry on gender diversity, employing 39 per cent women against an industry average of 33 per cent. However, women represent only 37 per cent. of the board, 14 per cent. of the executive team and 25 per cent. of the senior management team as at 31 March 2026. If SEW is unable to improve diversity at senior leadership level, it faces reputational risk and may fail to attract the broad pool of talent required for its growing business.

SEW has nearly 6 per cent. of its total workforce made up of apprentices. It was awarded Gold membership of The 5 per cent. Club for 2024/25, following an official audit. It believes it is the first water-only company to achieve this accolade. Notwithstanding these steps, if SEW's talent development and succession planning programmes do not deliver a sufficient pipeline of capable leaders and technically skilled employees, its ability to deliver its business plan and maintain regulatory compliance could be materially adversely affected.

In 2025, parts of WSMA came into force that provide legal powers to ban bonuses on the basis that certain standards have not been met. In January 2026, the Government published the white paper "A New Vision for Water". This proposes introducing a new regime for senior accountability to embed stronger ownership and accountability. Such changes could impact SEW's ability to attract and retain senior talent, which could impact SEW's financial and operational performance. For further information, please refer to the *Damage to Corporate Reputation or Brand Perception* Risk Factor.

Any combination of the above factors could adversely affect SEW's business, operational performance, profitability or financial condition. This could ultimately adversely affect the Issuer's ability to meet its obligations under the Bonds.

Pensions

SEW operates two defined benefit pension schemes. Steps have been taken to de-risk both schemes. The MKGPS has been fully insured by way of buy-out and the board has approved its winding up, while the SEWPS has been de-risked through a bulk annuity buy-in as a first step towards full buy-out. However, until both schemes are fully wound up, SEW retains residual obligations in respect of them. Changes in actuarial assumptions, asset values or insurer conditions prior to completion of the wind-up process could give rise to additional funding requirements for SEW, which could adversely affect its cash flows, financial condition and the financial resources available to service its obligations under the Finance Documents.

OPERATIONAL RISKS

Water shortages

The 2025/26 Supply Interruptions caused temporary water shortages in the affected areas. Other recent supply interruptions include (i) in the AMP6 Period, the supply interruption in March 2018 caused by a freeze-thaw event, and (ii) in the AMP7 Period, supply interruptions in July and August 2020 caused by weather-related events, February 2022 caused by an exceptional weather event, July 2022 caused by weather-related events and a lack of water supply, December 2022 caused by a freeze-thaw event, June 2023 caused by weather-related events, January 2025 caused by a power failure and March 2025 caused by a flooding event. Other water shortages may occur as SEW implements its transformation programme (see Chapter 5 "*Description of the SEW Finance Group - Project Lighthouse*").

In the event of water shortages, additional costs may be incurred by SEW 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 SEW's turnover and, in very extreme circumstances an emergency drought order may be required (such as those which arose in 2025, leading to SEW requesting, on 10 October 2025, the Secretary of State for Environment, Food and Rural Affairs for a Drought Order to help manage the water resource situation in Sussex, which was granted). This could lead to significant compensation becoming due to customers because of interruptions to supply, which could adversely affect SEW's business, operational performance, profitability or financial condition.

Potential water shortages may be exacerbated by reductions imposed by the EA in the volume of water licensed to be abstracted to mitigate environmental damage or to achieve sustainable levels of abstraction. As detailed in Chapter 3 (*Risk Factors*), (*Legal and Regulatory Considerations*), (*Current Claims*), the Environment Agency has refused SEW's application to extend the Greywell abstraction licence to March 2031. Whilst SEW have lodged a formal appeal to the Planning Inspectorate against the decision of the Environment Agency, there is no guarantee that this appeal will be successful. If the appeal is unsuccessful, and there was an immediate cessation of abstraction at Greywell, there would be a severe and immediate water shortage for residents in the Greywell and Swains Hill area. Costs may be incurred by SEW in implementing replacement sources and abstraction charges could be increased by the EA to cover compensation payments made to other abstractors whose licences are revoked or varied to alleviate environmental impact, each of which could adversely affect SEW's business, operational performance, profitability or financial condition. This risk, alongside an unsuccessful appeal relating to the Greywell abstraction licence, could ultimately affect the Issuer's ability to meet its obligations under the Bonds.

The white paper A New Vision for Water proposes the introduction of new powers to make legislation on sufficiency and consider new legislation allowing stronger action to be taken against water companies who fail to ensure a sufficient supply. While the form of these changes is as yet unknown, additional obligations could lead to greater enforcement action or impact SEW's ability to meet standards, with the risk of penalties, other enforcement action or reputational consequences. SEW's supply area in the south-east of England is one of the most water-stressed regions in England and Wales, and is subject to above-average population growth driven by housing development and net migration into the region. Growth in the number of connected properties increases baseline demand on SEW's supply system independently of weather conditions. Changes in working patterns following the Covid-19 pandemic have further altered demand profiles, with more customers working from home increasing daytime demand. Periods of extreme heat may cause peak demand to exceed SEW's production and distribution capacity in certain parts of its network, while freeze-thaw events can simultaneously cause surges in leakage and supply failures. Any failure to meet peak demand, whether driven by population growth, changing demand patterns, or weather-related events, could give rise to supply interruptions, customer compensation liabilities, ODI penalties and regulatory enforcement action including ultimately resulting in an application being made for a Special Administration Order against SEW (see risk factor "*Legal and Regulatory Considerations - Special Administration*"). This could ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Service interruptions due to key site or installation disruption

Unexpected failure of or disruption, such as those which partly caused the 2025/26 Supply Interruptions, (including criminal acts or a major health and safety incident) at a key site or installation (including a reservoir) 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 SEW 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 SEW's business, operational performance, profitability or financial condition.

Additionally, SEW's supply network includes a number of strategic assets, including large water treatment works, service reservoirs and strategic trunk mains, whose individual failure could affect the supply of water to significant numbers of customers simultaneously. The concentration of supply dependency on a small number of key sites means that a single major incident at a strategic asset could cause widespread and prolonged supply interruptions. In 2024/25, a power-related failure at Sevenoaks water treatment works in January 2025 and a flood-related loss of another treatment works in March 2025 together contributed over 20 minutes to SEW's annual supply interruption performance measure, directly contributing to the ODI penalty incurred in that year. There can be no assurance that similar or more severe strategic asset failures will not occur in the future, including as a result of extreme weather events, power grid disruption, equipment failure or malicious acts. Similar events could affect SEW's business, operational performance, financial condition and could ultimately affect the Issuer's ability to meet its obligations under the Bonds.

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 or criminal acts. In the event that SEW's water supply is contaminated and SEW is not aware of the contamination, the analysis of the contamination takes several days to complete or SEW 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 SEW's business, operational performance, profitability or financial condition because of the resulting prejudice to reputation and required capital and operational expenditures. SEW 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 SEW'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"* or future Periodic Reviews but, in the event that such recovery is not possible, such costs could be significant. SEW also maintains insurance policies in relation to legal liabilities likely to be associated with these risks. However, all the costs of any such liabilities may not 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. These factors could have an adverse effect on SEW's business, operational performance, profitability or financial condition and ultimately affect the Issuer's ability to meet its obligations under the Bonds

The white paper A New Vision for Water stated the Government's intention to set new ambitious targets for the water environment and to introduce a package of measures to improve water performance across the sector. The white paper A New Vision for Water outlines (amongst other proposals) plans to introduce a new Performance Improvement Regime for poorly performing companies (including both supportive and punitive measures), the power to take quicker enforcement action against companies in breach of drinking water regulations (including the ability to impose financial penalties), and the development of a new strengthened Open Monitoring approach to improve monitoring of pollution incidents and replace 'operator self-monitoring'. New standards and new regulatory and enforcement requirements could increase financial and operational risks, and increase the risk of exposure to penalties and enforcement action.

Health and Safety

In February 2016, new sentencing guidelines came in for Health & Safety Offences. These involve an analysis of culpability, harm (including consideration of the harm risked and likelihood of harm arising) and the sentencing also reflects the turnover for business offenders. The sentencing guidelines do not impose any limit on the level of fine and the courts have unlimited powers. Fines for Very Large Organisations (as defined in the sentencing guidelines) can extend into millions of pounds in the most serious of cases. In 2024/25, there were two injuries reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ("**RIDDOR**") and a lost time injury frequency rate of 4.4 against a target of 5. In 2025/2026, there were three RIDDOR injuries relating to slip and trip accidents, and four lost time accidents.

Potential financial penalties or reputational damage arising from the above or other relevant legislation applicable to SEW (including the requirements of The Health and Safety at Work etc. Act 1974) could affect SEW's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Hedging Risks

The Issuer may be left exposed to interest rate risk or currency risk in the event that there is an early termination of a Hedging Agreement, in the case that a Hedging Agreement is entered into. A Hedging Agreement may be terminated in the circumstances described in Chapter 7 "*Summary of the Financing Agreements*". If a Hedging Agreement is terminated and the Issuer is unable to find a replacement Hedge Counterparty, the funds available to the Issuer may be insufficient to meet fully its obligations under the Bonds.

Catastrophe Risk

Catastrophic events such as dam bursts, fires, sink holes, earthquakes, floods, droughts, terrorist attacks, diseases, plant failure or other similar events could result in personal injury, loss of life, pollution or environmental damage, severe damage to or destruction of SEW's operational assets. Subject to a possible IDOK under the Shipwreck Clause, any costs resulting from suspension of operations of SEW could have a material adverse effect on the ability of SEW to meet its financing obligations.

Although the CTA requires SEW to maintain insurance (including business interruption insurance) to protect against certain of these risks, 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 SEW Financing Group*" under "*Insurance*"). These factors could have an adverse effect on SEW's business, operational performance, profitability or financial condition and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Loss of data or interruptions to key business systems

Loss or misuse of data, or interruptions to key business and operational systems could have an adverse impact on the availability or integrity of critical national infrastructure and SEW's operational assets. This could also result in breaches of applicable legislation, including, but not limited to, data protection and information systems security, which could lead to significant penalties that could have an adverse impact on SEW's financial condition and/or reputation.

SEW's operations, including the efficient management and accurate billing of customers, effective asset operations, and successful treasury activities rely on sensitive and highly complex information systems and networks, including systems and networks provided by and interconnected with those of third-party providers. It is critical for SEW to maintain a high degree of focus on the effectiveness, availability, integrity and security of information systems to assure financial, customer service performance metrics. Prolonged information system or operational technology outage could result in disruption to SEW's corporate, operational and customer systems and services.

The volume and complexity of cyber security threats are increasing and constantly evolving. It is therefore not certain that SEW's control measures will be sufficient to prevent, respond to or recover from all possible breaches. For certain systems and networks, SEW relies on third-party hardware, software and service providers, which are not entirely under SEW's control. There is a risk that a security breach could lead to a loss or theft of customer, employee, supplier or SEW confidential data. A major data security breach could lead to significant reputational damage and result in regulatory intervention and/or substantial fines, especially considering the implementation of the Data Protection Act 2018 or the UK General Data Protection Regulation. SEW is also subject to the Network and Information Systems Regulations 2018 which apply legally enforceable security standards to operators of essential services and digital services, such as utility companies.

Any combination of the above factors, including breaches of relevant regulations or information systems, could have adverse consequences on SEW's overall financial condition and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Performance of Third Parties for Certain Contracts and Services

SEW has entered into various commercial contracts and relationships in respect of certain goods and services. In addition, third party infrastructure will continue to be relied upon in relation to a number of SEW assets. As with any contractual relationship, there are inherent risks to be considered and mitigated including, among others, counterparty risk (including vulnerabilities as a result of various supply chain disruptions globally as an outcome of significant global events such as the war with Iran in the first quarter of 2026), insolvency risk, and litigation risk. Any failure by suppliers to deliver the contracted goods or services, and to adhere to SEW's policies, could have a material adverse effect on SEW's reputation, business, results of operations and overall financial condition, which could ultimately affect the payment of principal and interest under the Intercompany Loans and consequently the Issuer's ability to meet its obligations under the Bonds. This is mitigated through a supplier management programme and robust procurement to ensure that appropriate suppliers are selected and managed through the contract lifecycle.

Critical Supplies

From a commercial perspective, in current supply markets the biggest risk SEW currently faces is around the sourcing of raw material and product shortages alongside inflation risks due to historically high energy and fuel costs and wage inflation across a number of markets. These risks are particularly prevalent in direct energy procurement costs but also in markets where energy is a high proportion of the input costs (such as chemicals or steel). Whilst this impact will feed through into prices, SEW has a number of fixed price arrangements in place which mitigates some of this exposure in the short to mid-term. However, continued and significant inflation growth has the potential to feed through into long term bid prices, with price increases expected to flow through to regulatory allowances which are reset every five years.

Difficulties in or additional costs required for sourcing and/or procuring energy, raw material and other products used in SEW's business could affect SEW's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its obligations under the Licence and legislation and ultimately affect the payment of principal and interest under the Issuer/SEW Loan Agreements, and consequently the 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 the risk factor (*Financing Considerations - Trigger Events and Events of Default under the Finance Documents*).

LEGAL CONSIDERATIONS

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 Licence. For example, the WIA and the Licence restrict SEW's ability to dispose of interests in (or create a charge or mortgage over) Protected Land (as explained in Chapter 6 "*Regulation of the Water Industry in England*" under "*Protected Land*", below). The vast majority of SEW's assets by value are tangible property which is Protected Land and cannot therefore be effectively secured. This necessarily affects the ability of SEW to create a floating charge over the whole or substantially the whole of its business. Furthermore, in any event, there is no right of a floating charge holder under the WIA to block the appointment of a Special Administrator.

The Secretary of State and Ofwat (with the consent of the Secretary of State) have rights under the WIA to appoint a Special Administrator in certain circumstances in respect of SEW and its business. The appointment of a Special Administrator effectively places a moratorium upon any holder of security from enforcing that security (see "*Special Administration*" below).

There are also certain legal restrictions which arise under the WIA and SEW's Licence affecting the enforcement of the security created under the Security Agreement. 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, giving them time to petition for the appointment of a Special Administrator (see Chapter 6 "*Regulation of the Water Industry in England*" under "*Security*").

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

The considerations described above do not apply to the fixed and floating charges created under the Security Agreement by SEWH and the Issuer. The enforcement of the security granted under the Security Agreement over the shares in any company in the SEW Financing Group (other than the Issuer), including any holding company of SEW, would not be subject to the moratorium set out in the WIA nor would it be an event which would itself result in the making of the Special Administration Order. Notwithstanding this, given Ofwat's general duties under the WIA to exercise its powers to ensure that the functions of a Regulated Company are properly carried out, the Issuer anticipates that any intended enforcement of the Security granted by SEWH over, and subsequently any planned disposal to a third party purchaser of, the shares in SEW would involve consultation with Ofwat. In addition, it is anticipated that any intended enforcement of the security created by SEWH under the Security Agreement, to the extent that such enforcement would amount to a relevant merger situation for the purposes of the Enterprise Act 2002 (the "**Enterprise Act**"), would require consultation with Ofwat and would be reviewable by the CMA. The Secretary of State has announced plans to include water as a mandatory notification regime under the National Security and Investment Act 2021 (the "**NSIA**"), meaning that in the future any enforcement of the security should be assessed to consider notification requirements to government. This change to the NSIA means that enforcement of security under the Security Agreement could be impeded or take more time.

Notice of the creation of the Security by SEW will not be given initially to SEW's customers or to SEW's contractual counterparties in respect of its contracts (other than certain material contracts). Also, any security over any amounts due from customers that constitute statutory receivables may be limited by law. In addition, if SEW were to acquire any land that was not Protected Land the charge over that land granted by the Security Agreement would take effect in equity only. Accordingly, until any such assignment is perfected, registration effected with HM Land Registry in respect of registered land or certain other action is taken in respect of unregistered land, any such assignment or charge may be or become subject to prior equities arising (such as rights of set-off). To the extent that any such prior equities, legal limitations or perfection failures reduce the enforceability or realisable value of the Security, the amounts recoverable by the Secured Creditors, including Bondholders, in any enforcement or insolvency scenario may be materially less than the aggregate principal amount of, and accrued interest on, the Bonds then outstanding.

Environmental

SEW's water supply operations are subject to a significant number of UK laws and regulations relating to the protection of the environment and human health. SEW and other Regulated Companies can incur significant costs in order to comply with such requirements imposed under existing or future environmental laws and regulations. Where such costs were not considered as part of a Periodic Review, in certain limited circumstances, SEW may apply for an interim determination. With the frequency of legislative changes, it is not always certain how future environmental laws will impact SEW and the financial condition of SEW and/or the interests of the Bondholders.

The environmental legislation governing SEW's business means that SEW is at risk of enforcement action, prosecution, substantial fines to third parties, requirements to deal with the effects of contamination and/or upgrade plant and equipment, in the event of incidents such as a breach of water quality standards. This could materially and adversely affect SEW's reputation and/or financial position, and could ultimately affect the Issuer's ability to meet its obligations under the Bonds.

FINANCING CONSIDERATIONS

Future Financing and Funding Costs

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

(i) finance future capital enhancements to SEW's asset base, particularly as SEW's capital investment programme during AMP8 is substantial;

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

(iii) refinance 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 SEW 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. The ability and cost at which SEW can raise new debt depends on a number of factors, including prevailing market conditions, SEW's credit ratings, investor appetite for water sector credit, regulatory developments and the broader macroeconomic environment.

If SEW's credit ratings are downgraded, whether as a result of a financial penalty, adverse regulatory findings, deterioration in financial ratios or other factors, the cost of new debt could increase materially. In addition, if SEW were in a Trigger Event, it would be restricted from raising new Financial Indebtedness for, *inter alia,* capital expenditure purposes, which could prevent SEW from funding its capital investment programme. Any failure to raise debt on acceptable terms, or at all, could adversely affect SEW's financial condition and ability to meet its obligations under the Finance Documents and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

The white paper A New Vision for Water states that the Government will work and consider measures, including through its planned new supervisory regulation regime, to create a regulatory system that supports owners with long-term business models and prevents inappropriate financial engineering. New regulations may impact future financing options for SEW.

Unhedged Indebtedness

SEW has £180,000,000 of indebtedness by way of committed credit facilities (excluding the Liquidity Facility) which bear interest by reference to the Sterling Overnight Index Average ("**SONIA**"), none of which is hedged.

SEW has not entered into any interest rate swap, cap or other derivative arrangement to hedge its exposure to movements in SONIA under any of these facilities. As a result, any increase in SONIA (or in market expectations of future SONIA levels) will directly and immediately increase the interest costs payable by SEW under these facilities.

Increased interest costs arising from SONIA movements could adversely affect SEW's cash flows, liquidity, interest cover ratios and financial covenant headroom under the Common Terms Agreement. If such increased costs, alone or in combination with other adverse factors (including financial penalties imposed by Ofwat or costs associated with supply interruption events), contribute to a breach of the financial covenants, a Trigger Event could occur. The consequences of a Trigger Event include restrictions on Restricted Payments, requirements to engage with the Security Trustee and implement a remedial plan, and restrictions on SEW's ability to raise new Financial Indebtedness for, *inter alia,* capital expenditure purposes, any of which could adversely affect SEW's financial flexibility and its ability to fund its obligations under the AMP8 capital investment programme.

For the avoidance of doubt, as at the date of this Prospectus, neither the Issuer nor SEW has entered into any hedging arrangements, including interest rate swaps, inflation swaps, cross-currency swaps or any other derivative arrangements, in respect of any of its indebtedness or other financial exposures. Investors should refer to the Risk Factor entitled "*Inflation*" above for a description of the separate risks arising from SEW's unhedged exposure to RPI-linked indexed indebtedness.

Any of the above could have a material adverse effect on SEW's business, financial condition and ability to meet its obligations under the Finance Documents and, ultimately, on the ability of the Issuer to meet its payment obligations under the Bonds.

Adjustment to the Interest Rate in certain circumstances and Maturity Date extension

The interest rate payable on certain Bonds that may be issued under the Programme may be increased in certain circumstances following the occurrence of certain Coupon Step-Up Trigger Events. There can be no assurance that such Coupon Step-Up Trigger Events will or will not occur, and no assurance that, if such Coupon Step-Up Trigger Events did occur, that the Issuer will be able to meet its increased interest payment obligations under such Bonds. Any increase to the interest payment obligations under such Bonds following the occurrence of a

Coupon Step-Up Trigger Event would be a Subordinated Coupon Amount and therefore subordinated in accordance with the Payment Priorities. Additionally, the maturity date of certain Bonds that may be issued under the Programme may be subject to an automatic extension condition whereby the maturity date of the applicable Bonds is automatically extended upon the satisfaction of specified extension conditions. There can be no assurance that any such conditions will be satisfied on the applicable test date or that SEW and/or the Issuer will be able to finance the repayment of such Bonds if the maturity date is not extended. The occurrence of a Coupon Step-Up Trigger Event and/or a failure to satisfy the conditions for the maturity date of the applicable Bonds to be extended could have a material adverse effect on the Issuer and SEW's financial condition and its ability to meet its obligations under the Finance Documents and, ultimately, on the ability of the Issuer to meet its payment obligations under the Bonds.

Financial Covenants

SEW is subject to financial covenants in the Finance Documents, specifically under the CTA, including covenants relating to interest cover and net debt as a percentage of RCV. Breach of these financial covenants could result in a Trigger Event or, in more serious circumstances, an Event of Default under the Finance Documents. The consequences of a Trigger Event include, among other things, restrictions on Restricted Payments, requirements to engage with the Security Trustee and to implement a remedial plan. A Trigger Event would also restrict SEW from raising new Financial Indebtedness for, *inter alia,* capital expenditure purposes, which could prevent SEW from meeting its capital investment obligations during AMP8, potentially leading to further regulatory sanctions.

Following notification of an Event of Default, the Security Trust and Intercreditor Deed provides for an automatic standstill of Secured Creditors' claims against SEW and the Issuer for an initial 18 months (subject to extension and early termination mechanics) during which, broadly, enforcement action against SEW and the Issuer's security is restricted, and cash management is operated in accordance with the Payment Priorities.

No Trigger Event is currently continuing. However, a Trigger Event resulting from breach of financial covenants may occur as a result of a number of factors, including financial penalties imposed by Ofwat reducing SEW's cash flows and impairing financial ratios, the cost of responding to supply interruption incidents adversely affecting financial ratios, ongoing adverse weather events causing further disruption and cost to SEW, a deterioration in SEW's credit ratings, which increase financing costs and reduce financial headroom or a combination of any of the above factors and any additional factors, such as energy prices, fluctuations in interest rates, inflations and levels of operational expenditure. These can have a significant effect on financial ratios and, in respect of forecast periods, SEW must make projections in respect of these factors which require subjective determinations and forecasts.

Exceptional expenditure (for example, but not limited to, extreme weather events) has, under the provisions of the CTA, historically been disregarded for the purposes of calculating interest cover ratios. Changing accounting standards, guidance and heightened market scrutiny may, depending on the nature of such exceptional expenditure, affect whether such expenditure can then be shown as an exceptional item in the Compliance Certificates of SEW. Costs incurred by SEW in connection with the 2025/26 Supply Interruptions, including customer and business service compensation claims, bottled water costs and tanker costs, have been identified as qualifying as exceptional items for the purposes of financial covenant calculations under the Finance Documents.

Any combination of risks arising from the aforementioned could have adverse consequences on SEW's overall financial condition and ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Trigger Events and Events of Default under the Finance Documents

The occurrence of a Trigger Event or an Event of Default could adversely affect the Issuer's ability to make payments under the Bonds.

The Finance Documents contain Trigger Event and Event of Default provisions. Trigger Events under the Common Terms Agreement include, among others, breach of the financial covenants (including interest cover and net debt to RCV covenants) and certain liquidity-related events. Events of Default include more serious breaches of the Finance Documents. Trigger Events and Events of Default include, among others, liquidity stress (including insufficient liquidity for capital expenditure and working capital) and insufficient liquidity to meet forecast capital maintenance expenditure and working capital requirements and noncompliance with the Licence, which could materially adversely affect SEW's ability to meet obligations as they fall due. See Chapter 7 "*Summary of the Financing Agreements*" below for more information on Trigger Events and Events of Default.

Following notification of an Event of Default, the STID provides for an automatic standstill of Secured Creditors' claims against SEW and the Issuer for an initial 18 months (subject to extension and early termination mechanics) during which, broadly, enforcement action against SEW and the Issuer's security is restricted, and cash management is operated in accordance with the Payment Priorities.

The occurrence of a Trigger Event or an Event of Default could adversely affect SEW's financial flexibility, would restrict its ability to raise new debt for, *inter alia,* capital expenditure purposes and have a material adverse effect on SEW's business, financial condition and ability to meet its obligations under the Finance Documents and the Bonds.

FINANCING STRUCTURE CONSIDERATIONS

Material Uncertainty related to Going Concern

The 2026 SEW Annual Report was prepared on a going concern basis. However, the directors identified material uncertainties that may cast significant doubt on SEW's ability to continue as a going concern. In particular, SEW's base case cash flow forecasts indicated a need to secure new loan facilities shortly after the end of the 12-month going concern assessment period, while the severe but plausible downside scenario indicates a need to secure new loan facilities towards the end of the financial year. Although discussions with external lenders were at an advanced stage, the required financing had not been completed or legally committed at the date of approval of those financial statements. As detailed in Chapter 7 (*Summary of the Financing Agreements* - *Additional Resources Available* - *Authorised Credit Facilities*), following the publication of the 2026 SEW Annual Report, on 24 July 2026 the Cayman Issuer announced that SEW and the Issuer had agreed terms for £200,000,000 of new liquidity under an agreement that will backstop a future issuance of Bonds.

In addition, following the Moody's Downgrade, as detailed further in Chapter 5 (*Description of the SEW Financing Group – Planning and Investment – Ofwat Downgrade Undertakings*), SEW is in breach of the condition of its Licence requiring it to maintain two investment grade credit ratings. Whilst the Ofwat Downgrade Undertakings are intended to address the underlying causes of such credit rating downgrade, SEW will remain in breach of its Licence until it secures two investment grade credit ratings and a failure to comply with the undertakings could result in further enforcement action. See Chapter 13 (*General Information – Independent Auditors – Material Uncertainty as to Going Concern*) for further information.

The 2024 SEWH Annual Report also identified a material uncertainty arising from the uncertainty surrounding the PR24 Final Determination and its potential impact on SEW's credit rating, notwithstanding the directors' reasonable expectation that SEWH had sufficient resources to continue in operation for the foreseeable future. See Chapter 13 (*General Information – Independent Auditors – Material Uncertainty as to Going Concern*) for further information.

If the circumstances giving rise to these material uncertainties were to arise such that SEW or SEWH were unable to continue as a going concern or meet their liabilities as they fall due, this may lead to an Event of Default under the Finance Documents, including as a result of an insolvency event or insolvency proceedings, non-payment, non-compliance with obligations under the Finance Documents, insufficient liquidity or cessation of business. For further information on the Events of Default and their consequences, see Chapter 7 (*Summary of the Financing Agreements – Common Terms Agreement – Events of Default*) and Chapter 3 (*Risk Factors – Financing Considerations – Financial Covenants* and *Trigger Events and Events of Default under the Finance Documents*).

The occurrence of an Event of Default could prevent the SEW Financing Group from raising new Financial Indebtedness, could adversely affect SEW's business, results of operations and overall financial condition, and could impair its ability to meet financial ratio and covenant requirements under the CTA and comply with its obligations under the Licence and applicable legislation. These circumstances could ultimately affect the payment of principal and interest under the Issuer/SEW Loan Agreement, which is the Issuer's principal source of funds for making payments under the Bonds, and consequently the Issuer's ability to pay principal and interest on the Bonds.

Special Purpose Vehicle Issuer

The Issuer was established as a special purpose financing entity for the purpose of issuing asset-backed securities and has no business operations other than raising external funding for SEW through the issuance of the Bonds and borrowing under the Liquidity Facilities and Authorised Credit Facilities and entering into various Hedging Agreements. The Issuer's principal source of funds for making payments due on the Bonds will be pursuant to the Issuer/SEW Loan Agreements and funds available to it pursuant to the Liquidity Facilities and other Authorised Credit Facilities.

Therefore, the Issuer is subject to all the risks relating to revenues and expenses to which SEW is subject. Such risks could limit funds available to SEW to enable SEW to satisfy in full and on a timely basis its obligations under the Issuer/SEW Loan Agreements and its guarantee under the Security Agreement (see "*SEW Revenue and Cost Considerations*" above).

Source of Payments to Bondholders

None of the Bonds of any Tranche will be obligations or responsibilities of, nor will they be guaranteed by, any of the Other Parties (other than the Guarantors and, in the case of the Wrapped Bonds, the relevant Financial Guarantor). The guarantee by SEWH may be of limited value because SEWH does not own, nor will SEWH own, any significant assets other than its direct shareholding in SEW. In addition, a Financial Guarantor will guarantee to the holders of the Wrapped Bonds only the payment of scheduled principal and interest; it will not guarantee FG Excepted Amounts. This could ultimately affect the ability of the Guarantors to guarantee the Issuer's obligations under the Bonds, as the potential limited value of the SEWH guarantee, combined with the exclusion of FG Excepted Amounts from the scope of any Financial Guarantor's obligations, means that in a stress, acceleration or insolvency scenario, Bondholders may have materially reduced effective recourse to third-party credit support and may not recover the full principal amount of, and all amounts accrued on, the Bonds.

The DSR Liquidity Facilities

The DSR Liquidity Facilities and any amounts credited to the First Loss Account are intended to cover certain shortfalls in the ability of SEW, the Cayman Issuer or the Issuer to service payments of interest in relation to the Senior Debt on any Interest Payment Date. 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 First Loss Account or by the DSR Liquidity Facilities. As at the date of this Prospectus, the Issuer is not a party to a DSR Liquidity Facility and intends to rely on amounts standing to the credit of the First Loss Accounts to meet the requirements in the CTA that the aggregate of all amounts available for drawing under the DSR Liquidity Facilities and all amounts standing to the credit of the First Loss Account is not less than the Required Balance (see "*Common Terms Agreement — Trigger Events*" for more information). The Cayman Issuer is a party to the Existing DSR Liquidity Facility and can make a drawing under such Existing DSR Liquidity Facility and/or a First Loss Account to cover certain payments under the Cayman Issuer's Senior Debt if there is a shortfall. Amounts standing to the credit of the Cayman Issuer's First Loss Account may be withdrawn to cover certain shortfalls under the Cayman Issuer's and/or SEW's Senior Debt which could result in there being insufficient funds in such First Loss Account to cover the applicable shortfalls on the Issuer's Senior Debt. This could ultimately affect the Issuer's ability to meet its obligations under the Bonds.

The O&M Reserve Facilities

The O&M Reserve Facilities and any amounts credited to the O&M Reserve Account are intended to cover certain shortfalls in the ability of SEW to meet its operating and capital maintenance expenditure requirements. However, there are no assurances that any such shortfalls will be met in whole or in part by amounts standing to the credit of the O&M Reserve Account or by the O&M Reserve Facilities. This could ultimately affect the Issuer's ability to meet its obligations under the Bonds.

BOND CONSIDERATIONS

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 two or more Sub-Tranches of Bonds of such Tranche, it shall consider the interests of the holders of the Sub-Tranche of Bonds with the shortest dated maturity and will not have regard to the consequences of such exercise for the holders of other Sub-Tranches 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. Subject to certain exceptions, to the extent that the exercise of any rights, powers, trusts and discretions of the Bond Trustee affects or relates to any Wrapped Bonds the Bond Trustee shall only act with the consent of the relevant Financial Guarantor(s) in accordance with the Bond Trust Deed. 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 Senior DIG Representative(s). When so doing, the Security Trustee is not 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. This could ultimately affect the Issuer's ability to meet its obligations under the Bonds.

Intercreditor Rights of Bondholders

The Bonds are subject to the provisions of the STID. The STID contains provisions enabling the Security Trustee to implement various modifications, consents and waivers in relation to the Finance Documents and the Bonds, subject to Entrenched Rights and Reserved Matters. See Chapter 7 "*Summary 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 Senior DIG. A Bondholder will not be entitled to vote other than in respect of certain Entrenched Rights and Reserved Matters.

Prior to a Default Situation, the Bond Trustee may vote on a DIG Proposal or a STID Proposal without reference to any Bondholders on behalf of the Unwrapped Bondholders and (if an FG Event of Default has occurred and is continuing in relation to the relevant Financial Guarantor) the Wrapped Bondholders as part of the Senior DIG. However, the Bond Trustee will not be obliged to vote and will not be entitled to convene a meeting of any Tranche or Sub-Tranche Bondholders to seek directions in respect of such vote. Accordingly, subject to Entrenched Rights and Reserved Matters of the Bondholders, prior to a Default Situation, the Outstanding Principal Amount of the Wrapped Bonds (following the occurrence of an FG Event of Default in relation to the relevant Financial Guarantor) and the Unwrapped Bonds will not be voted as part of the Senior DIG in circumstances where the Bond Trustee is unable or unwilling to exercise its discretion.

During a Default Situation the Bond Trustee shall be entitled to vote and will be entitled to seek directions from the relevant Bondholders in respect of such vote. However, the Bond Trustee may be prevented from voting if a valid Emergency Instruction Notice is delivered to the Security Trustee. In respect of a vote relating to Entrenched Rights and Reserved Matters, the Bond Trustee will be required to seek directions from the Bondholders of each affected Series of Bonds in respect of such vote.

Accordingly, subject to the Entrenched Rights and Reserved Matters of the Bondholders, decisions relating to and binding upon the Bonds may be made by persons with no interest in the Bonds and the Bondholders may be adversely affected as a result. See Chapter 7 "*Summary of the Financing Agreements – Security Trust and Intercreditor Deed*".

Under the terms of the STID and the CTA any further issues of debt securities by members of the SEW Financing Group must be made subject to the Intercreditor Arrangements contained in the CTA and the STID (to which the Bonds are also subject). No alteration of the rights of priority of the holders of the Bonds may be made without the consent of the relevant Bondholders.

The Entrenched Rights and Reserved Matters may materially and adversely affect the exercise and proceeds of any enforcement of the Security. Subject to such Entrenched Rights and Reserved Matters, the Majority Creditors may make a modification to, or grant any consent or waiver in respect of, the Finance Documents without the need to seek a confirmation from the Rating Agencies as to then current ratings of the Bonds. Accordingly, any such modification, consent or waiver may adversely affect the credit quality of the Bonds or result in a downgrade of the ratings assigned to the Bonds without any prior confirmation from the Rating Agencies that the then current ratings of the Bonds would not be so affected.

Regulatory Considerations

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in numerous measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in certain securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Bonds are responsible for analysing their own regulatory position and none of the Issuer, the Guarantors, the Arranger nor any of the parties to the Transaction Documents makes any representation to any prospective investor or purchaser of the Bonds regarding the regulatory capital treatment of their investment in the Bonds at any time.

Bondholders in any Member State of the EEA and in the UK should consult their own advisers as to the consequences to, and effect on, them of the application of Directive 2013/36/EU (as amended) and Regulation (EU) No. 575/2013, as amended (together "**CRD**"), as implemented by their own regulator, or Regulation (EU) No. 575/2013 (as it forms part of domestic law by virtue of the EUWA) and the UK legislation and rules implementing Directive 2013/36/EU (as amended) (as applicable) to their holding of any Bonds. The Issuer is not responsible for informing Bondholders of the effects of the changes to risk-weighting which will result for investors from the adoption of CRD by their own regulator.

However, investors should be aware that the regulatory capital treatment of any investment in the Bonds will be determined by the interpretation which an investor's regulator places on the provisions of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (the "**EU Securitisation Regulation**"); and (ii) the UK's Securitisation Regulations 2024 (SI 2024/102), the securitisation sourcebook of the UK FCA Handbook and the Securitisation Part of the rulebook of published policy of the Prudential Regulation Authority of the Bank of England, together with the relevant provisions of FSMA (the "**UK Securitisation Framework**").

Prospective investors should therefore be aware that should the UK Securitisation Framework and the EU Securitisation Regulation apply to an investment in the Bonds, significantly higher capital charges may be applied to that investor's holding and/or any further changes to the regulation or regulatory treatment of the Bonds for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Bonds in the secondary market. No assurance can be given that further changes will not be made to the UK Securitisation Framework and the EU Securitisation Regulation, which could impact the Bondholders.

Limited Liquidity of the Bonds; Absence of 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 is 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 SEW, developments and trends in the water industry generally and events in the Region.

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 such 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.

Rating of the Bonds

The ratings assigned by the Rating Agencies to the Unwrapped Bonds reflect only the views of the Rating Agencies and in assigning the ratings the Rating Agencies take into consideration the credit quality of SEW 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 SEW, circumstances relating to the water industry generally or, in the case of the Wrapped Bonds, of the relevant Financial Guarantor from time to time.

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' judgment, 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 SEW and/or circumstances relating to the water industry generally, could have an adverse impact on the ratings of the Bonds.

UK Taxation treatment of the Issuer

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (as amended) (the "**Securitisation Tax Regulations**")), and as such should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Tax Regulations), for so long as it satisfies the conditions of the Securitisation Tax Regulations. However, if the Issuer does not satisfy the conditions of the Securitisation Tax Regulations (or subsequently ceases to satisfy those conditions), then the Issuer may be subject to tax liabilities not contemplated in the cash flows for the transaction described in this Prospectus. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Bonds and may result in investors receiving less interest and/or principal than expected.

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 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 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 (subject to certain conditions); and, failing this,

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

(Chapter 8 "*The Bonds*" under "*Terms and Conditions of the Bonds*" and Condition 8(c) (*Redemption for Index Event, Taxation or Other Reasons*).)

Likewise, in the event withholding taxes are imposed in respect of payments due under the Wrapped Bonds and the relevant Financial Guarantor is called upon under its Financial Guarantee or Financial Guarantees to make payments in respect of such payments, such Financial Guarantor is not obliged to gross-up or otherwise compensate the holders of such Wrapped Bonds for the fact that such Wrapped Bondholders will receive, as a result of the imposition of any withholding taxes, cash amounts which are less than those which would otherwise have been the case.

Indexed Bonds

Under the Programme, the Issuer may issue Bonds with principal or interest determined by reference to an index or formula. Potential investors should be aware that they may lose the entirety or a substantial portion of their principal of any index-linked Bonds issued under the Programme. The historical performance of an index should not be viewed as an indication of the future performance of such index.

Change of Law

The structure of the transaction and, among other things, the issue of the Bonds and ratings assigned to the Bonds are based on law (including tax law) and administrative practice in effect at the date of this Prospectus, 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 publication of this Prospectus which change might impact on the Bonds and the expected payments of interest and repayment of principal. In particular, it is possible that changes in tax law may be introduced at any time which may have an adverse impact on the tax treatment of SEW, the Issuer, other Obligors or the Bonds themselves.

Fundamental Changes to RPI, CPI or CPIH

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 index linked 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 for calculating CPIH no earlier than 2030.

In April 2021 the trustees of the BT, Ford and Marks and 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. 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.

Condition 7 (*Indexation*) provides that in the case of a fundamental change to the coverage or the basic calculation of CPI or CPIH, as the case may be, in certain specified circumstances, adjustments to such index may be made, or a substitute index (with or without adjustments) may be agreed.

At the time of issue of any index linked Bonds, the applicability or non-applicability of Condition 7 (*Indexation*), as the case may be, in the case of a fundamental change to 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 index linked Bonds. Each investor should consider carefully, and seek independent financial advice on, the impact of such changes on their investment. This risk could ultimately affect the Issuer's ability to meet its obligations under the Bonds.

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 SEW Financing Group calculated by reference to the financial statements produced in respect of the companies in the SEW Financing Group. These financial and other covenants have been set at levels which are based on UK-IAS or FRS 101, current accounting standards, conventions and practices adopted by the relevant companies.

It is possible that any future changes in UK-IAS or FRS 101, current accounting, standards, conventions and practices which are adopted by the companies in the SEW 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.

Regulation and Reform of Benchmarks could Adversely Affect any Bonds Linked to Such Benchmarks

Reference rates and indices, including interest rate benchmarks, which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**") are the subject of ongoing reforms and changes. Some of these reforms are already effective while others are still to be implemented. 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 material adverse effect on any Bonds referencing or linked to such Benchmark.

Changes to the administration of a Benchmark or the emergence of alternatives to a Benchmark, may cause such Benchmark to perform differently than in the past, or there could be other consequences which cannot be predicted. The discontinuation of a Benchmark or changes to its administration could require changes to the way in which the Interest Rate is calculated in respect of any Bonds referencing or linked to such Benchmark. The development of alternatives to a Benchmark may result in Bonds linked to or referencing such Benchmark performing differently than would otherwise have been the case if the alternatives to such Benchmark had not developed. Any such consequence could have a material adverse effect on the value of, and return on, any Bonds linked to or referencing such Benchmark.

The EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of Benchmarks, the contribution of input data to a Benchmark and the use of a Benchmark within the EU. The UK Benchmarks Regulation among other things, applies to the provision of Benchmarks and the use of a Benchmark in the UK.

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

(i) 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 outside the UK, the administrator is not otherwise recognised as equivalent; and

(ii) the methodology or other terms of the Benchmark could be changed in order to comply with the terms of the EU Benchmarks Regulation or the UK Benchmarks Regulation (as applicable), 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.

Either of the above could potentially lead to the Bonds being de-listed, adjusted or redeemed early or otherwise affected depending on the particular Benchmark and the applicable terms of the Bonds.

Any other international, national or other proposals for reform, or the general increased regulatory scrutiny of Benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements.

Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain benchmarks, trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain benchmarks.

The Conditions provide for certain fallback arrangements in the event that a published Benchmark becomes unavailable or a Benchmark Event otherwise occurs, including the possibility that the Interest Rate could be set by reference to a Successor Rate or an Alternative Reference Rate and that such Successor Rate or Alternative Reference Rate may be adjusted (if required) as determined by an Independent Adviser appointed by the Issuer. The operation of these fallback arrangements could result in a different return for Bondholders (which may include payment of a lower Interest Rate) than they might receive under other similar securities which contain different or no fallback arrangements (including which they may otherwise receive in the event that legislative measures or other initiatives (if any) are introduced to transition from any given Benchmark to an alternative rate) or if the Original Reference Rate were to continue to apply in its current form. In addition, the market (if any) for Bonds linked to any such Successor Rate or Alternative Rate may be less liquid than the market for Bonds linked to the Original Reference Rate.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Issuer may vary the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, 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. The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable, to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Interest Rate for the next succeeding Interest Period will be the Interest Rate applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Interest Rate will be the initial Interest Rate. This 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 Issuer is unable to appoint an Independent Adviser or, the Independent Adviser fails to determine a Successor Rate or Alternative Rate 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.

Investors should also note that the Issuer may enter into hedging transactions to hedge the floating rate exposure of a Floating Rate Bond. The fallback arrangements in respect of such hedging transactions could be different to those in the Floating Rate Bonds which could lead to a mismatch between the Floating Rate Bond and the hedging transaction. SEW would be contractually obliged to fund any mismatch under the relevant Intercompany Loans but would be exposed to the mismatch risk which it otherwise would not have been.

Investors should consult their own independent advisers to make their own assessment about the potential risks in connection with any Floating Rate Bonds in relation to Benchmarks.

Bonds that Reference SONIA

The Interest Rate on any Floating Rate Bonds referencing SONIA, SOFR or €STR will be determined on the basis of the relevant compounded daily rate, namely, (i) Compounded Daily SONIA administered by the Bank of England (the "**BoE**"), (ii) Compounded Daily SOFR administered by the SOFR Administrator and (iii) Compounded Daily €STR administered by the European Central Bank (the "**ECB**" and together with the BoE and SOFR Administrator, the "**Relevant Administrators**") . The market or a significant part thereof may adopt an application of SONIA, SOFR or €STR (as applicable) that differs significantly from that set out in the Conditions and used in relation to Floating Rate Bonds that reference a such rates issued under this Prospectus. The development of Compounded Daily SONIA, Compounded Daily SOFR and Compounded Daily €STR as interest reference rates for the Eurobond markets, as well as continued development of SONIA, SOFR and €STR 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 such referenced Bonds issued under the Programme from time to time.

Furthermore, interest on Bonds which reference Compounded Daily SONIA, Compounded Daily SOFR or Compounded Daily €STR is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in such Bonds to reliably estimate the amount of interest which will be payable on such Bonds. Further, if the Bonds become due and payable under Condition 11 (*Events of Default*), the Interest Rate payable shall be determined on the date the Bonds became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Bonds.

CHAPTER 4
FINANCING STRUCTURE

The SEW Financing Group consists of SEWH, SEW, the Cayman Issuer and the Issuer.

FIGURE 1 – OWNERSHIP STRUCTURE

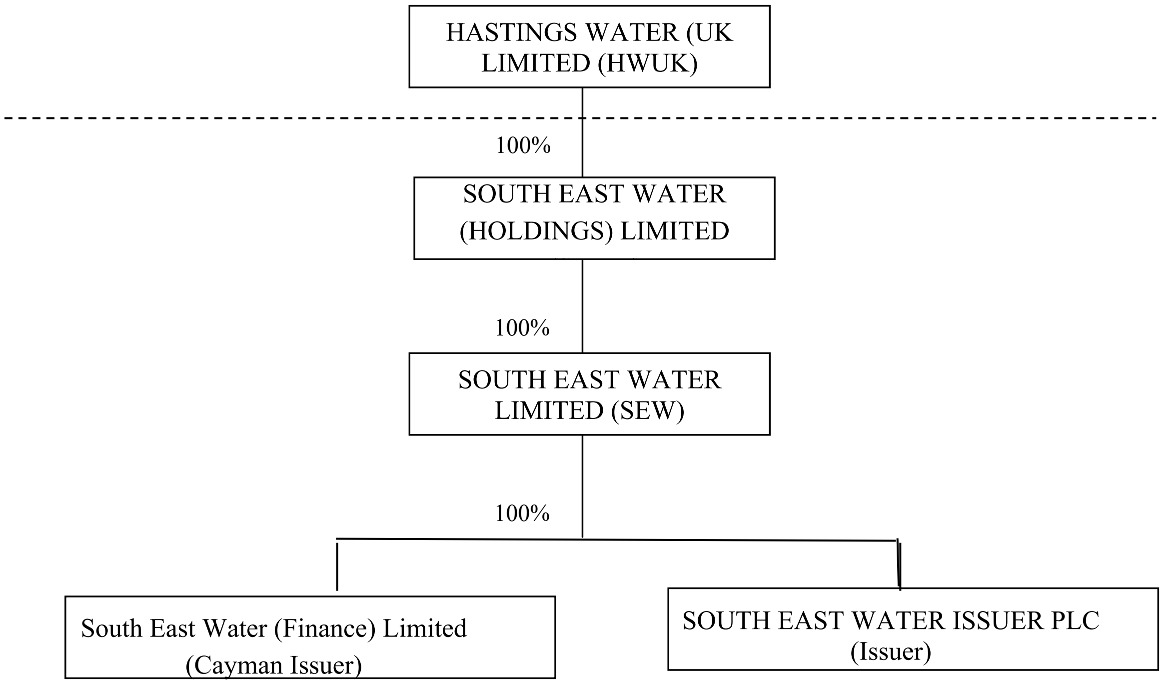
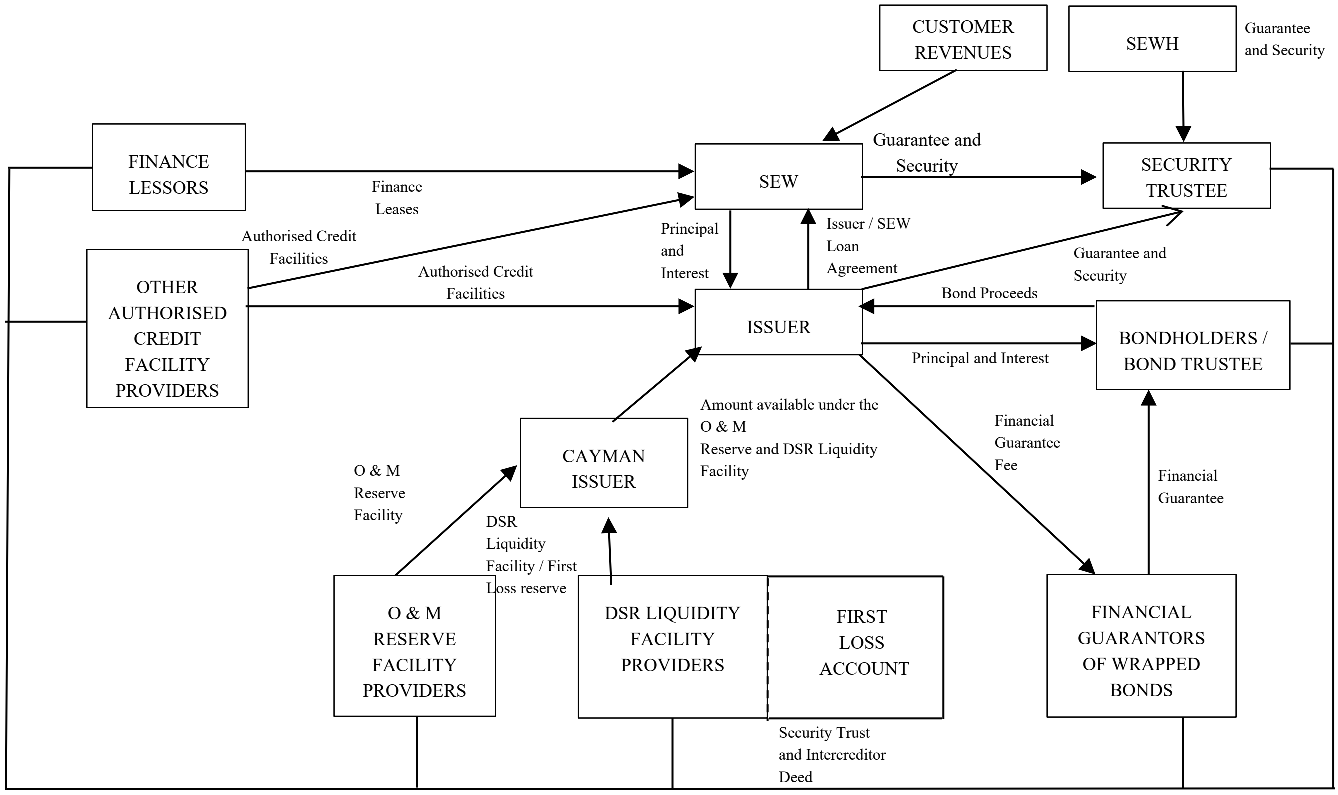


Figure 1 illustrates the ownership structure of the SEW Financing Group as of the date of this Prospectus:

- The Issuer is a wholly-owned subsidiary of SEW.
- The entire issued ordinary share capital of SEW is held by SEWH, whose entire issued share capital is held by HWUK. HWUK is outside the ring-fence.
- SEWH is a special purpose vehicle incorporated to be the holding company of SEW and the Issuer, to enter into the Finance Documents and, in particular, to grant security over the shares of its subsidiaries pursuant to the Security Agreement.
- SEW does not intend to issue further debt through the Cayman Issuer.
- The Cayman Issuer is a borrower under the DSR Liquidity Facility and the amounts available to the Cayman Issuer pursuant to such DSR Liquidity Facility are only available to the Cayman Issuer pursuant to the terms of the CTA.
- The Cayman Issuer is a borrower under the O&M Reserve Facility and the amounts available to the Cayman Issuer pursuant to such O&M Reserve Facility are available to SEW and the Issuer pursuant to the terms of the CTA.

FIGURE 2 – PROGRAMME STRUCTURE



- The Issuer may not issue Wrapped Bonds under the Programme.
- The Issuer and/or SEW may also borrow money from Authorised Credit Providers under Authorised Credit Facilities for funding the working capital and capital expenditure requirements of SEW, to service and repay the SEW Financing Group's indebtedness and for the SEW Financing Group's general corporate purposes.
- The Cayman Issuer may additionally borrow money from O&M Reserve Facility Providers under O&M Reserve Facility Agreements for funding the operating and maintenance expenditure of SEW.
- The Issuer will on-lend, pursuant to an Issuer/SEW Loan Agreement, to SEW the proceeds of each Series of Bonds and each advance to the Issuer under each Authorised Credit Facility (other than any DSR Liquidity Facility - see below), pursuant to an Issuer/SEW Loan Agreement.
- Finance Lessors may provide financing of equipment to SEW.
- Where applicable, the Issuer may be required to hedge its interest rate and currency exposure under the Bonds by entering into interest and currency swap agreements and other hedging arrangements with hedge-counterparties in accordance with the Hedging Policy. The economic effect of the hedging will be passed on to SEW through the relevant Issuer/SEW Loan Agreement.
- Amounts standing to the credit of the First Loss Account and/or available under any DSR Liquidity Facility to which the Issuer is a party may be provided to meet any shortfall in the amounts available to meet interest payments on the Bonds and certain other payments ranking in priority to or *pari passu* with the Bonds of such Series (excluding any principal repayments on Bonds).

- The respective obligations of SEW and the Issuer to its Secured Creditors will be guaranteed by each other in favour of the Security Trustee. SEWH will in turn guarantee in favour of the Security Trustee the respective obligations of SEW and the Issuer and the obligations of each other.
- The obligations of each of the Issuer, Cayman Issuer, SEW and SEWH will be secured in favour of the Security Trustee under the terms of the Security Agreement.
- The guarantees and security granted by the Issuer, Cayman Issuer, SEW and SEWH will be held by the Security Trustee for itself and on behalf of the Secured Creditors under the terms of the STID, which regulates the rights and claims of the Secured Creditors against the Issuer, Cayman Issuer, SEW and SEWH and the duties and discretions of the Security Trustee.

CHAPTER 5
DESCRIPTION OF THE SEW FINANCING GROUP

The SEW Financing Group

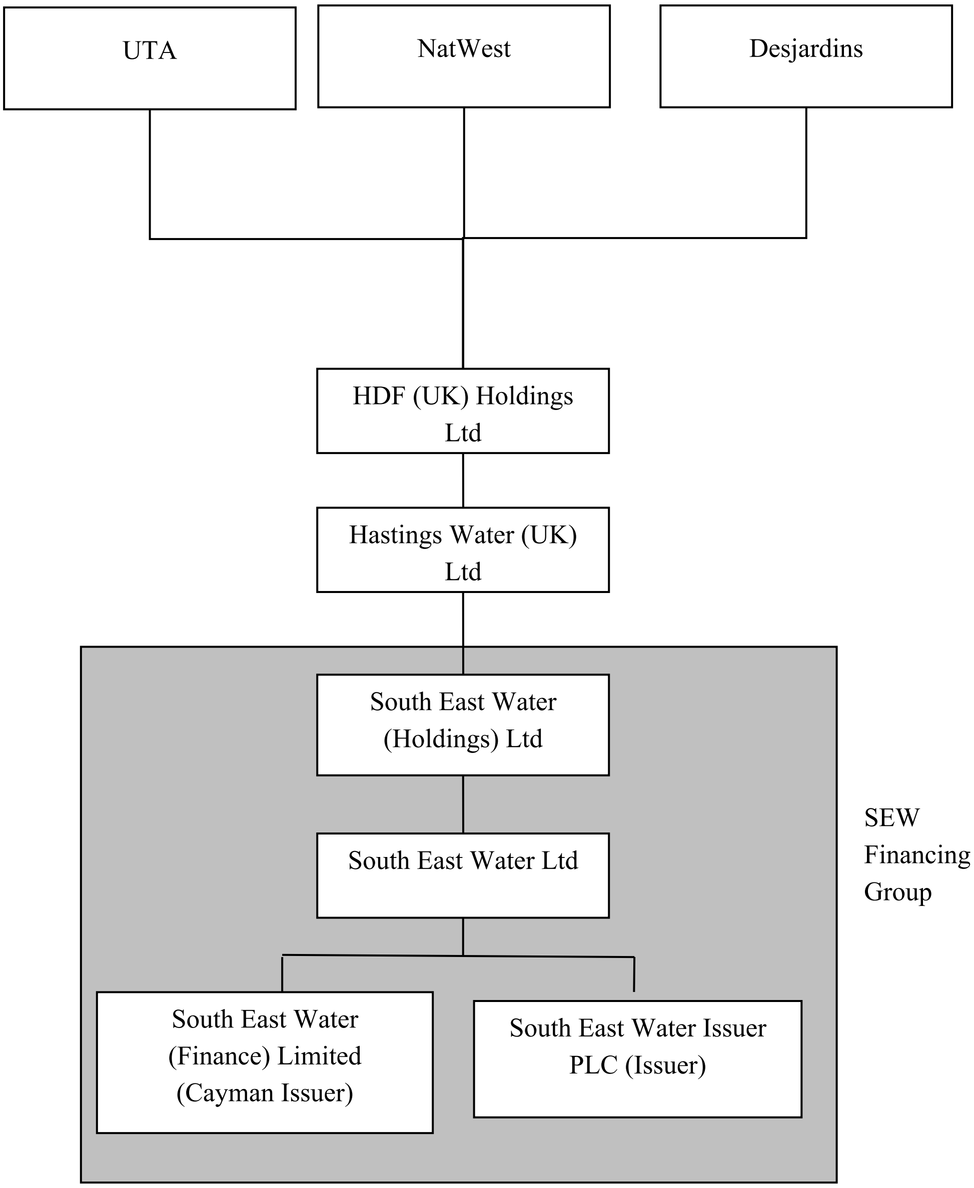
South East Water (Holdings) Limited ("**SEWH**") is the holding company for the SEW Financing Group, the principal business of which is South East Water Limited ("**SEW**"), the Group's regulated water company.

SEWH is ultimately owned by Utilities Trust of Australia ("**UTA**"), NatWest Group Pension Fund ("**NatWest**") and Desjardins Employees Pension Fund ("**Desjardins**") who ultimately own 50 per cent., 25 per cent. and 25 per cent. of the ordinary shares in the ultimate UK parent respectively. UTA is an Australian domiciled open-ended and unlisted fund established in 1994 which takes minority equity positions in infrastructure and utility assets both in Australia and internationally. UTA is managed by Morrison Utilities Management Pty Ltd (ABN 66 624 308 809) ("**Morrison**"), a leading global infrastructure investment manager with over 30 years of experience. Morrison manages approximately U.S.$25 billion (as of 2025) in assets for institutional investors and sovereign wealth funds. The NatWest Group Pension Fund represents one of the UK's largest institutional retirement schemes, providing a stable, domestic capital base, and manages assets of approximately £31.8 billion (as of 2025). Desjardins Group is the largest cooperative financial group in North America and a leading Canadian institutional investor. Desjardins manages assets of approximately CA$510 billion, with a diversified portfolio that includes significant allocations to infrastructure and renewable energy through its pension and insurance subsidiaries. Vantage Infrastructure ("**Vantage**") acts as the investment manager for the respective 25 per cent. interests held by the NatWest Group Pension Fund and the Desjardins Group. Vantage is a leading independent infrastructure debt and equity specialist with over 20 years of investment experience. As at 2025, Vantage manages a global portfolio of essential infrastructure assets valued at approximately U.S.$6 billion on behalf of institutional investors.

The principal activities of SEWH and its subsidiaries are water supply and distribution and building and maintaining water supply infrastructure. They do not carry out wastewater collection and treatment.

The SEW Financing Group has been established as a "ring-fenced" financing group to separate (so far as practicable) SEW financially and operationally from the rest of the group. Management believes that the ring-fencing structure provides significant benefits to SEW, providing better access to long-term debt markets and an opportunity to reduce significantly the cost of capital employed in the Regulated Business.

Set out below is the structure of SEWH, its major subsidiaries, and its relationship to its ultimate shareholders:



SOUTH EAST WATER LIMITED

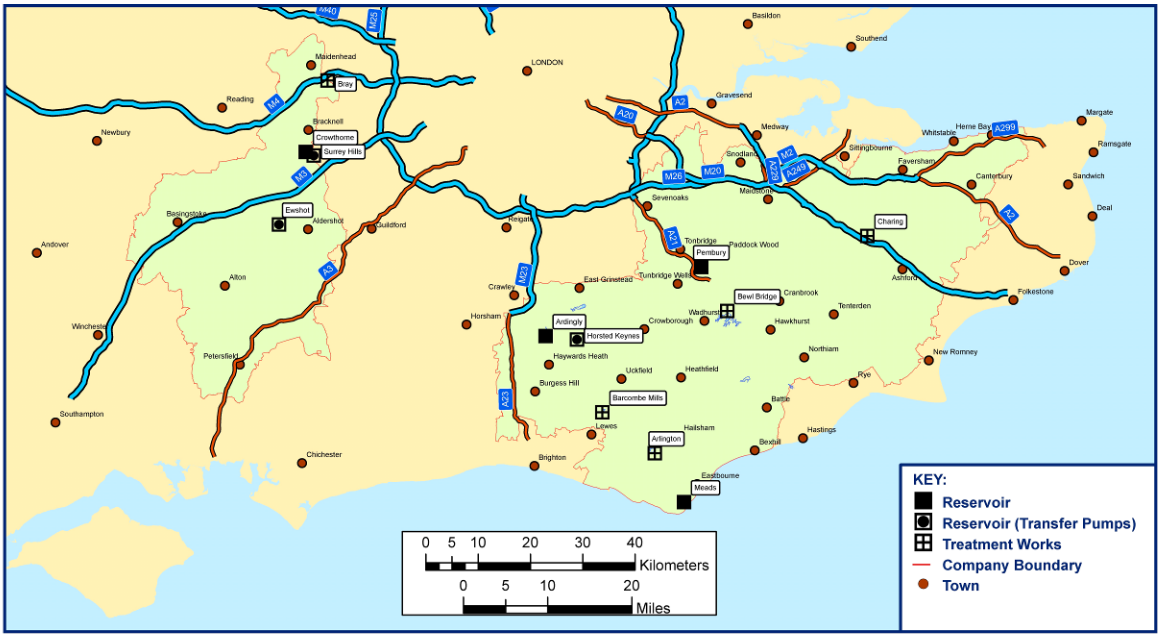
Overview

SEW is the second largest of the water-only service companies in England and Wales, based on Regulatory Capital Value ("**RCV**"). For the financial year ended 31 March 2025, SEW had a total Turnover of £285.5 million, supporting a workforce of over 1,150 employees. For the financial year ended 31 March 2026, SEW had a total Turnover of £351.8 million, supporting a workforce of over 1,350 employees. As of the commencement of the AMP8 regulatory period on 1 April 2025, the Water Services Regulation Authority ("**Ofwat**") estimated SEW's RCV to be approximately £1.65 billion (in 2022-23 year-end prices). As of 31 March 2026, SEW's RCV was approximately £2 billion.

SEW operates in an area of approximately 5,700 km^2 split into two regions in the counties of Kent and Sussex (the "**Eastern Region**") and Berkshire, Hampshire and Surrey (the "**Western Region**"). The region in which SEW operates is mainly rural but includes several urban centres such as Ashford, Canterbury, Maidstone, Basingstoke and Maidenhead. The population in the SEW water supply area is currently 2.4 million and is forecast to rise to 2.7 million by 2050. The South East of England is classified by the Environment Agency as a 'seriously water-stressed' area. While individual consumption historically exceeded 160 litres per person per day ("**l/p/d**"), SEW is currently executing a mandatory strategy to reduce Per Capita Consumption (PCC) to 110 l/p/d by 2050, in line with the government's Environmental Improvement Plan. The region experiences long-term average yearly rainfall significantly below the UK average, necessitating SEW's continued and substantial investment in water resilience. This includes the major capacity expansion of the Bewl Water Treatment Works and the development of the Broad Oak reservoir project. Approximately 73 per cent. of SEW's water continues to be abstracted from groundwater sources, primarily from chalk and greensand aquifers.

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

Figure 5.1: The SEW licensed area:



History

Historical Background – SEW Pre-Merger

SEW was originally incorporated as Mid-Sussex Water Plc ("**Mid-Sussex**") under the Companies Act 1985 and registered in England and Wales on 4 February 1992 as a public company limited by shares under number 2679874. On 14 December 1998, the businesses of Mid-Sussex, Mid Southern Water Plc ("**Mid Southern**"), Eastbourne Water Plc ("**Eastbourne**") and West Kent Water Plc ("**West Kent**") combined, pursuant to schemes of arrangement under Section 425 of the Companies Act 1985.

In accordance with this combination of businesses, SEW was appointed as water undertaker for the areas previously served by Mid Southern and Mid-Sussex with effect from 1 January 1999. On being appointed as water undertaker, SEW acquired all of the respective property, rights and liabilities of Eastbourne, Mid Southern, and West Kent (including their respective debenture stocks) pursuant to transfer schemes in accordance with Schedule 2 to the WIA.

The company name was changed to South East Water Plc on 4 January 1999, which became South East Water Ltd when it re-registered as a private limited company on 7 April 2004.

Historical Background – MKW Pre-Merger

Originally, MKW was incorporated under the Mid Kent Water Act 1898. After its privatisation on 30 November 1990, MKW became a public company limited by shares under number 02559449. It was last re-registered as a private limited company on 16 February 2005.

At the time of the merger with SEW, MKW was a subsidiary of Mid Kent Financing Limited ("**MKF**", number 04493385), a wholly-owned subsidiary of Swan Group. It was an appointed water undertaker supplying water to a population of approximately 578,000 in Kent and Sussex.

Merger of Mid Kent Water and South East Water

On 14 December 2007 the businesses of SEW and MKW were merged. The merger was effected by way of a transfer scheme under Schedule 2 of the WIA whereby substantially all property, rights and liabilities of MKW were transferred to, and assumed by SEW with the approval of Ofwat.

Following the transfer, MKW ceased to operate as a water undertaker and SEW's water undertaker's Licence was extended to include the area and customers formerly served by MKW. The resultant merged entity served 2.0 million customers across Kent, Sussex, Hampshire, Berkshire and Surrey. MKW and MKF have subsequently been dissolved.

Regulation and Licence

SEW operates within a highly regulated industry in England and Wales and its operations are strongly influenced by economic, drinking water quality and environmental regulation. SEW is licensed to operate as a Regulated Company in England and Wales. In particular, SEW's business and results are affected by the regulated tariff rates which SEW may charge its customers as approved by the economic regulator as well as by drinking water quality and environmental regulations and the terms of its Licence. Every five years, the economic regulator (Ofwat) has set a price cap intended to enable water and wastewater companies in England and Wales to finance their operations and earn a reasonable return on capital.

The Final Determination of the price-cap 2025-30 was published by Ofwat on 19 December 2024. SEW was one of five companies that referred Ofwat's decision to the Competition and Markets Authority. The Competition and Markets Authority published their revised Final Determination on 25 March 2026.

Strategy

SEW aims to be the leading water supplier in the south east of England. SEW's strategy to deliver this aim is based around:

- Delivering a first class 24-hour service in the community, which customers consider is value for money; and
- Taking a long term view in all that it does to help protect the environment.

Water supply / demand balance

A high quality, reliable and constant supply of water is one of SEW's top priorities. SEW's strategy focuses on: continuing to deliver a twin-track strategy that balances supply and demand of water through a combination of demand management measures and new resource developments; continuing to manage and reduce leakage; installing meters to measure individual customers' water consumption; reducing the number of customers that are reliant on a single supply source; continuing to work with the Environment Agency to ensure the water environment is preserved for future generations; working with neighbouring companies to manage resources efficiently at a regional level; embracing new technologies to ensure water supplies are managed efficiently; and developing plans to meet the challenges of climate change.

Maintenance of assets

SEW's strategy for the maintenance of existing assets follows a risk-based approach where investment is focused in areas where customers are at greatest risk from an unacceptable decline in service. SEW continues to plan investment based on cost benefit and customers' willingness to pay for change; aims to keep the levels of service stable as a minimum; and continues to investigate new innovative technologies that reduce the likelihood of service failure.

Water Supply

Overview

SEW's water supply service to customers 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, or from underground sources, such as aquifers. All water is then treated prior to being supplied to customers. Partially treated 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 general, water abstracted from underground sources is of extremely high quality and requires limited treatment, whereas, water abstracted from rivers and reservoirs undergoes a complex sequence of advanced treatment processes, typically clarification using iron salts, filtration, ozonation and granular activated carbon. All water is then disinfected using chlorine to eliminate any potentially harmful micro-organisms. Water from treatment works then passes through a distribution network of interconnected water mains, service reservoirs and water towers.

Of the water abstracted by SEW for public supply in its licensed water region, approximately 73 per cent. is abstracted from aquifers, approximately 8 per cent. is abstracted directly to treatment works from rivers whose flow is regulated upstream by large raw water storage reservoirs, approximately 8 per cent. comes via bulk supply from neighbouring water companies and approximately 11 per cent. comes from reservoirs.

The mix of water supply resources in the SEW Licence area is largely a product of historical development and geology. The region in which SEW operates is underlain by chalk, limestone and sandstone strata which readily absorb and release rainwater and are suitable for cost effective bore-hole drilling. In addition, other factors which contribute to SEW's current mix of water supplies are water quality, environmental and cost considerations. Aquifers and reservoirs typically provide more reliable water supplies than direct river abstraction as rainwater can be stored from the winter to maintain supplies during summers and to provide security against drought.

SEW holds 91 source abstraction licences and bulk supply agreements and utilises approximately 65 to 70 per cent. of its total licensed capacity on an annual average basis.

During the financial year ended 31 March 2025, SEW supplied an average of 543 megalitres of treated water per day to approximately 955,000 properties within its licensed area. Consistent with its focus on high-quality potable supply, SEW supplied no partially treated or non-potable water during this period. In the same 12-month period, SEW facilitated regional growth by installing approximately 7,500 new water connections.

During the financial year ended 31 March 2026, SEW supplied an average of 550 megalitres of treated water per day to approximately 970,000 properties within its licensed area. SEW supplied no partially treated or non-potable water during this period. In the same 12-month period, SEW facilitated regional growth by installing new water connections in 5,132 properties.

Approximately 8 per cent. of SEW's water supply is sourced via bulk supply contracts with neighbouring water companies. The largest such arrangement is with Affinity Water (formerly Veolia Water Central Ltd), which provides for a supply of up to 36 megalitres per day ("**Ml/d**") into SEW's Western Region under a perpetual contract. In the Eastern Region, SEW maintains several strategic bulk supply arrangements with Southern Water Services Limited. Conversely, SEW provides a bulk supply to Affinity Water Southeast (formerly Veolia Water Southeast Ltd).

SEW's customer base remains predominantly residential, reflecting the demographic profile of the South East of England. Residential customers account for approximately 79 per cent. of SEW's delivered volume, a proportion that has increased slightly due to changing work-from-home patterns and regional housing development. Commercial and industrial customers account for the remaining 21 per cent. of water delivered.

Customers

Two key principles underpin SEW's charging scheme. The first principle is that SEW will ensure that the relevant charges are within the limits determined by Ofwat and secondly SEW will ensure that the charges do not show any preference to any class of customer. SEW has three charging methods for water supply. Customers occupying a property where a meter is fitted are charged by the volume of water supplied. Customers occupying other properties pay a charge based on the rateable value of the property. Where customers have requested a meter, but for technical reasons it is not possible to fit a meter, customers are charged on their assessed value which reflects the number of bedrooms in the property.

As of 31 March 2025, approximately 91 per cent. of total households and 98 per cent. of non-households supplied by SEW were metered. This high level of household penetration is the result of SEW's long-term 'Customer Metering Programme', which remains a cornerstone of its demand management strategy in a seriously water-stressed region. As of 31 March 2026, approximately 91 per cent. of total households and 96 per cent. of non-households supplied by SEW were metered.

Following the opening of the non-household retail market in April 2017, all of SEW's business, charity, and public sector customers are eligible to choose their retail provider. SEW now acts as a Wholesale provider to these retailers. As of March 2025, approximately 44,100 non-household accounts are served by SEW's wholesale operations, with revenues from these wholesale services accounting for approximately £53 million (19.1 per cent.) of SEW's total water service revenues. Reflecting a diverse customer base, no end-user customer accounts for more than 1.0 per cent of SEW's total water service revenue. 6 retail counterparties are on or above 1.0 per cent., with the largest accounting for approximately 8 per cent. of SEW's water revenue. There are additional provisions in the form of securities and upfront payments in the non-household market to mitigate the risks of retailer failure. As of March 2026, approximately 43,800 non-household accounts are served by SEW's wholesale operations, with revenues from these wholesale services accounting for approximately £66 million (19.1 per cent.) of SEW's total water service revenues.

For the financial year ended 31 March 2025, total Turnover from the regulated business was £285.5 million, representing the entirety of SEW's 'Appointed' business turnover. For the financial year ended 31 March 2026, the figure was £351.8 million, still representing the entirety of SEW's 'Appointed' business turnover. In contrast to historical periods, the SEW supply area now features several Inset Appointments (now known as NAVs), where third-party providers have been appointed by Ofwat to serve specific new housing developments. While these NAVs create localized competition for new connections, SEW typically remains the provider of the bulk water supply to these sites.

Customer Service

As of the current regulatory period, Ofwat utilises the Customer Measure of Experience ("**C-MeX**") as the primary incentive mechanism for residential customer service, replacing the previous Service Incentive Mechanism ("**SIM**"). C-MeX consists of two equally weighted pillars: the Customer Service Survey ("**CSS**"), which measures the satisfaction of customers who have recently contacted SEW, and the Customer Experience Survey ("**CES"**), which measures the perception of SEW among a random sample of the general public in its supply area, regardless of whether they have had direct contact. C-Mex carries a maximum reward and penalty of 12 per cent. of retail revenues.

In addition to C-MeX, Ofwat monitors the Developer Measure of Experience ("**D-MeX**"), which assesses the service provided to developer services customers, including housebuilders and self-lay providers. Both C-MeX and D-MeX are used to calculate annual financial rewards or penalties, which are reconciled at the end of each price review period. The maximum reward is 2.5 per cent. and the maximum penalty is 5 per cent. of developer services revenue.

For the 2024/25 financial year, SEW's performance reflected a period of operational recovery following significant supply interruptions in previous years. In the 2024/25 C-MeX annual rankings, SEW achieved a combined score of 71.82, placing SEW 12th out of 17 water companies in England and Wales. While this represents a lower-quartile performance relative to the industry, it marked an improved trend compared to the significant penalties incurred during the height of the 2022/23 drought events. For 2025/26 financial year, SEW was placed 14th out of 17 water companies in England and Wales. The C-MeX and D-MeX measures of experiences have been updated as part of the PR24 process. These will be reported against for the first time in Autumn 2026. SEW is currently executing its 'Service Recovery Plan' as part of the PR24 transition to move toward the industry median.

Table 5.1: Water Supply – Approximate Base Statistics 2024/25

Description	**Value**
	Population served (000s)
Properties served	955,250
– Domestic premises	886,850
– Unmeasured	79,815
– Measured	807,035
– Business/non-domestic premises	68,400
– Unmeasured	1,368

Description	Value
	Population served (000s)
– Measured	67,032
– Void Properties	18,500

Water quality

SEW continues to invest heavily to maintain and improve its high standards of drinking water quality, with investment levels determined by Ofwat in consultation with the Drinking Water Inspectorate ("**DWI**"). During the AMP7 regulatory period (2020–2025), SEW invested approximately £60 million in drinking water quality and resilience enhancements.

This programme focused on several strategic areas, including the mitigation of nitrates and pesticides from the local catchments, the modular water treatment solution for Summer Demand at the newly acquired Butler Site (delivering early resilience in the local area whilst the permanent works were being constructed), the on-going resilience of SEW's bulk supplies and providing for interconnectivity in the Kent Region.

Treated water is distributed to approximately 955,000 premises through an extensive and aging network of around 14,800 km of water mains. To ensure compliance with the Water Supply (Water Quality) Regulations 2016 (as amended), SEW operates a rigorous sampling and analysis regime. Accredited samplers take thousands of samples annually from treatment works, service reservoirs, water towers, and directly from customers' taps. These results are submitted monthly to the DWI, the independent regulator for drinking water quality in England and Wales.

Since the retirement of Mean Zonal Compliance as a primary metric, the DWI now utilises the Compliance Risk Index ("**CRI**") to measure the significance of any breaches of the regulations. The CRI score is weighted based on the type of parameter breached, the location of the failure, and SEW's response. For the 2024 calendar year, SEW achieved a CRI score of 3.45. While this reflects a robust underlying performance, SEW remains focused on reducing this score toward the DWI's 'Target Zero' through targeted investment in disinfection controls and reservoir integrity.

In 2024/25, SEW continued to perform strongly in fundamental process safety metrics. The Process Control Index (PCI) remained at 99.98 per cent., and the Reservoir Integrity Index was recorded at 99.96 per cent., both consistent with high industry standards. Furthermore, SEW has completed the roll-out of its 'Hazrev' programme, a comprehensive risk-based assessment of all treatment assets to ensure long-term resilience against bacteriological and chemical risks. These high rates were maintained in 2025/26 with the Process Control Index (PCI) being recorded at 100 per cent., and the Reservoir Integrity Index being recorded at 99.93 per cent. Each year, the DWI Chief Inspector publishes a comparative report detailing these indices, which Ofwat utilises as a key performance indicator ("**KPI**") to assess asset health and management competence.

Distribution

SEW owns, operates, and maintains a complex network of production assets, including 88 active treatment sites utilising 250 boreholes, four impounding reservoirs, and six river abstractions. SEW's impounding reservoirs provide a combined raw water storage capacity of approximately 9,400 megalitres. The largest of these wholly-owned assets, Ardingly Reservoir, has a gross capacity of 5,200 megalitres. Total treated water storage capacity across SEW's network of service reservoirs and water towers is approximately 910 megalitres, following recent investments in storage resilience.

Barcombe Water Treatment Works ("**WTW**") remains the largest surface-water treatment facility in the Eastern Region, with a peak capacity of 75 Ml/d following a series of resilience upgrades. The average daily output is approximately 42 Ml/d. Abstraction is primarily from the River Ouse, with flow regulated by strategic releases from Ardingly Reservoir, situated 20 km upstream. To mitigate the risk of river pollution or low-flow events, SEW maintains bank-side storage at Barcombe with a capacity of 545 megalitres, providing approximately seven days of supply at peak output.

The Butler WTW commenced pumping into supply on 31 March 2026 and has an average daily output of approximately 18 Ml/d.

SEW maintains a 25 per cent. share of the River Medway Scheme ("**RMS**") in partnership with Southern Water (which holds the remaining 75 per cent. and acts as the scheme operator). The RMS is a critical regional resource consisting of:

1. The Bewl Pumped Storage Scheme: Water is transferred from the River Medway at the Yalding intake into Bewl Water Reservoir. From here, SEW either abstracts and treats water directly at its own facilities or utilises releases to support downstream abstraction.

2. The Burham WTW: SEW receives a proportion of the treated output from Southern Water's treatment works at Burham, near Maidstone.

Bewl Reservoir is the largest inland water body in the South East, with a maximum storage capacity of 31,000 megalitres and a functional useable storage of 28,700 megalitres. Refill is almost entirely dependent on the Yalding intake. SEW's share of the RMS provides a reliable Dry Year Annual Average ("**DYAA**") value of 18.5Ml/d, reflecting the increased yield achieved through the Bewl to Keleher strategic transfer main, which has enhanced SEW's ability to move water into the Medway and Mid-Kent areas.

Infrastructure

SEW operates 88 water treatment works, with a total production capacity exceeding 540 ML/d. SEW maintains an extensive network of approximately 14,800 km of water mains. In line with modern engineering standards and ongoing mains replacement programmes, the composition of the network has evolved. As of 31 March 2025, approximately 66 per cent. of SEW's mains are constructed of iron (including ductile and legacy cast iron), 31 per cent. are made of high-performance plastics (primarily Polyethylene and PVC), and 3 per cent. are composed of other materials, such as asbestos cement.

Leakage remains a primary KPI under Ofwat's regulatory framework. For the 2024/25 financial year, SEW reported a three-year rolling average leakage of 102.7 Ml/d. For the 2025/26 financial year, SEW reported a three-year rolling average leakage of 102.4 Ml/d. The regulatory targets for the AMP8 period (2025–2030) require a further 18.6 per cent. reduction from SEW's three-year rolling average in the 2019/20 financial year. Approximately 72 per cent. of current leakage is attributed to SEW's distribution network, with the remaining 28 per cent. originating from customer-owned supply pipes. To combat this, SEW has deployed over 20,000 acoustic loggers and smart pressure management valves across its network.

Operating in a 'seriously water-stressed' region, SEW utilises Temporary Use Bans ("**TUBs**"), formerly known as hosepipe bans, as a vital tool for demand management during extreme weather events. Following the record-breaking temperatures and prolonged dry weather of 2022, SEW implemented a TUB across its entire supply area on 5 August 2022. Due to the slow recovery of groundwater levels and subsequent technical challenges at key treatment works, further localised restrictions were necessary during the summer of 2023. A further TUB has recently been implemented across SEW's entire supply area, first in Kent on 3 July 2026, and Berkshire, Hampshire, Sussex and Surrey on 25 July 2026. These events have prompted a significant acceleration of SEW's 'Grid' resilience program to reduce the frequency of such bans in the future.

Planning and Investment

Supply and Demand

SEW 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 Environment Agency. 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.

Resources

Demand for water 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 measured and unmeasured 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 demand management and impact of climate change.

In order to ensure a resilient supply of drinking water for its customers in both the short and long term, SEW manages its water resources, treatment, and distribution through a robust, risk-based framework. As a statutory requirement under the WIA (as amended by the Water Act 2014 and the Environment Act 2021), SEW has published its Water Resources Management Plan 2024 ("**WRMP24**"), which outlines its supply and demand strategy over a 50-year planning horizon to 2075.

The impacts of climate change are deeply embedded in WRMP24, utilising advanced stochastic modelling to account for extreme weather events and shifting demand patterns. On the demand side, the plan forecasts increased consumption during prolonged "peak" periods caused by warmer, drier summers. On the supply side, SEW has moved beyond simple "mid-scenario" modelling to a "multi-scenario" climate vulnerability assessment, aligning with the Water Resources South East (WRSE) Regional Plan.

Under current climate projections, SEW forecasts a significant reduction in its Deployable Output ("**DO**"). While earlier assessments predicted minor losses, the 2024 plan estimates that climate change will reduce available supply by approximately 42 Ml/d by 2050, equivalent to a reduction of approximately 8 per cent. of SEW's total supply capacity. When combined with "Sustainability Reductions" required to protect the environment, the total deficit is significantly higher, necessitating the strategic infrastructure developments—such as the Broad Oak Reservoir and enhanced regional transfers—outlined in the current AMP8 investment program

Suppliers

There are a number of factors that underpin SEW's ability to provide a reliable supply of drinking water to its customers. SEW relies on (i) IT software and hardware to monitor delivery of water and billing of customers (ii) electricity to operate pumping stations, treatment plants and the pipe network, (iii) chemicals for water purification; and (iv) a variety of materials as well as logistics and support services relating to installation of network infrastructure and other capital expenditure. In respect of energy costs, SEW has adopted a hedging strategy that enables it to mitigate increases in energy costs.

Outsourcing

As with other water companies, SEW outsources the majority of its capital investment programme and day to day operations to third party providers of goods and services, which is monitored through a number of key performance indicators. Delivery of quality related schemes, improving supply to meet demand and maintenance of above ground assets has mainly been carried out by six external contractors. In respect of operations, outsourced services include water pipe repair and maintenance, facilities management and logistics functions. The customer-facing roles, IT and human resources are not outsourced.

Asset Condition and Serviceability

Under the terms of its Instrument of Appointment and the PR24 Regulatory Framework, SEW is required to maintain a comprehensive Asset Management Plan (AMP). This plan details the capital expenditure required to maintain long-term asset integrity and ensures that service levels are resilient to operational stresses. SEW monitors and reports its asset health annually to Ofwat through its Annual Performance Report (APR), focusing on key metrics that track the condition and performance of both infrastructure (underground) and non-infrastructure (above-ground) assets.

For the 2024/25 and 2025/26 financial years, SEW's above ground asset health outperformed the Performance Commitment Level ("**PCL**") for the unplanned outage ODI. However, performance against the water quality (CRI) ODI was worse than the PCL in both 2024/25 and 2025/26. In 2024/25, CRI performance remained within the underperformance deadband and therefore incurred no financial penalty; in 2025/26, performance fell outside the underperformance deadband and will incur a financial penalty of approximately £0.1 million.

SEW's below ground asset health, as measured by the mains repairs ODI, outperformed the PCL in 2024/25. In 2025/26, performance against the mains repairs ODI was worse than the PCL, but remained within the applicable underperformance deadband for AMP8 of 10 repairs per 1,000 km of mains, and accordingly no financial penalty is expected. Performance against the leakage ODI was worse than the PCL in both 2024/25 and 2025/26.

In response, SEW has accelerated its Mains Renewal Programme and enhanced its pressure management strategy. As part of the transition into the AMP8 (2025–2030) period, SEW has secured a significant increase in capital allowance specifically targeted at stabilizing these infrastructure metrics and reducing supply interruptions to meet the "Upper Quartile" industry targets by 2027.

Capital Investment Programme

A summary of the current gross Capital Expenditure programme for the five-year regulatory period ending 31 March 2030 ("**AMP8**") is set out below:

	AMP8 (CMA Final Determination 2025-2030)
	*(£ million)**
Base	538.8
Environmental Programme	65
Supply-Demand Balance	157
Metering	20.7
Water Quality Improvements	69
Resilience	185.5
Security	30.8
Net Zero	0
Total Investment Net	1,067.0

Note:

* At 2022/23 prices

The CMA Final Determination includes a number of key capital expenditure programmes for SEW including improved network resilience, improved network connections, increased drinking water storage, smart meter roll out, leakage reduction by 15 per cent., improved quality of raw water. This will be achieved during the course of AMP8, through 388 km of water mains replaced, 77 km of new interconnector mains to help us move water around, £50 million to reinforce its network as a large number of new houses are built, 52 million litres of additional water treatment capacity, 50 million litres of additional network treated water storage, 9 water quality projects, 320,000 water meters replaced with smart meters, 12 million litres of water saved by SEW customers per day (which will be achieved through (i) carrying out water efficiency home visits, (ii) the provision of water efficiency devices and (iii) the launch of a new education programme), £11 million investment into alternative water supplies, £27 million to protect SEW's assets with cyber security enhancements, 36 environmental investigation projects and 15 project in drinking water protected areas to develop catchment level solutions to potential water quality issues. SEW's AMP8 business plan is expected to drive approximately 40 per cent. growth in RCV over the AMP8 regulatory period. That expectation is derived from the regulatory expenditure allowances determined by the CMA in the CMA Final Determination, applying SEW's current CPIH inflation assumptions. This expectation in respect of RCV is a forward-looking statement that is subject to risks and uncertainties that could cause the actual growth in RCV over the AMP8 regulatory period to differ materially from that anticipated in such forward-looking statement as a result of a number of factors, including those set out in the "*Forward-Looking Statements*" disclaimer in the Prospectus.

Current Regulatory Performance

Ofwat Performance Commitments

Performance Summary[(1)]		**Performance 2025/26**	**Target 2025/26**
Water:			
Water supply interruptions	*Average minutes lost per customer*	277.57	12.37
Compliance risk index (CRI)[(2)]	*Score*	2.08	1.83
Customer contacts about water quality[(2)]	*Contacts per 1,000 population*	1.37	1.00
Biodiversity	*Biodiversity units per 100km^2*	0	—
Operational greenhouse gas emissions	*Tonnes C02e*	50,270	50,366.04
Leakage	*Megalitres per day (annual)*	101.1	97.9
Per capita consumption	*Litres per person per day (annual)*	142.0	136.7
Business demand	*Megalitres per day (annual)*	98.5	93.2
Serious pollution incidents[(2)]	*Number*	0	—
Discharge permit compliance[(2)]	*Percentage compliance*	92.45%	100.00%

Performance Summary[1]		Performance 2025/26	Target 2025/26
Repairs to burst mains..	*Repairs per 1,000km of main*	168.6	162.20
Unplanned outage	*Percentage loss of peak week production capacity*	3.16%	3.23%
Measures of experience			
Customer measure of experience (C-MeX)..................	*Average experience score*	58.45	TBC[3]
Developer measure of experience (D-MeX).................	*Average experience score*	72.57	TBC[3]
Business customer and retailer measure of experience (BR-MeX)..	*Average experience score*	70.27	TBC[3]

Notes:

(1) All figures are aligned to APR

(2) Performance relates to calendar year 2025

(3) The performance commitment level is determined and reported by Ofwat only once all industry results have been compiled for the applicable period

Interruptions to supply: Interruptions to supply increased in 2025-26 primarily due to the incidents in December 2025 and Freeze Thaw events in January 2026. Overall, business as usual interruptions performance is 31.5 minutes.

Drinking Water Quality: End of year 25/26 CRI of 2.08 performance compared to the deadband of 1.83. There has been a total of 14 Asset failures in 2025, 5 WTW failures and 9 service reservoirs failures. CRI performance impacted mainly from seven failures in December as increased zonal sampling in December to account for the yearly shortfall led to increased failures.

WQ Contact performance was above target. Actions required to bring this measure under control are still to be delivered, e.g., acceleration of flushing programme, SeaQuest Dosing Optimisation project and pH Control to reduce water aggressivity at 36 WTW

Biodiversity: Survey programme commenced. Delivery of Biodiversity Units not required until year 4 and 5

Operational Greenhouse Gas: Performance for GHG emissions has decreased in 2025/26, primarily due to the reduction in generator use on site as well as more efficient reporting from external contractors.

Leakage: The annual leakage target has been increased in line with the CMA final determination, and as such year-end leakage performance was over target and therefore in penalty.

Per Capita Consumption: Per Capita Consumption ("**PCC**") performance was higher than target this year, mainly due to an increase in distribution input. There have been works to carry out water efficiency audits and distribute water saving devices to bring PCC down over the rest of the AMP.

Business Demand: Works are being carried out with large non household users, with 75 audits carried out at schools with a saving of 75,102 l/day.

Serious Pollution Incidents: For 2025/26 SEW experienced no serious pollution incidents.

Discharge Permit Compliance: SEW did not achieve DPC target for this year, mainly attributed to permit breaches at Bewl Water due to power outages and turbidity levels in Bewl Reservoir.

Repairs to Burst Mains: Whilst SEW were within deadband for burst main repairs, SEW didn't manage to achieve target for 2025/26. This is primarily due to the increase of bursts over the winter months.

Unplanned Outage: Overall, SEW were under target and therefore in reward for Unplanned Outage.

Project Lighthouse

SEW is about to initiate a multi-year transformation programme named Project Lighthouse ("**Lighthouse**"). The Lighthouse strategy will be delivered through two distinct components. The first ("**Component One**") is designed to deliver, within nine months of the commencement of Project Lighthouse, operational improvements, through targeted asset management, operational and organisational interventions, that will reduce the risk and impact of supply interruptions in SEW's Eastern region. The second component ("**Component Two**") will be delivered in conjunction with Component One and will focus on transforming business fundamentals, changing the way SEW operates and serves customers, to drive and sustain performance improvement to the end of AMP8 and beyond.

The senior management team of SEW has identified a series of near-term projects, aligned to four core Lighthouse pillars (the "**Lighthouse Pillars**"): (i) improving the security, resilience and safety of our water supply, (ii) building trust and confidence with our customers and stakeholders, (iii) empowering high performing teams and driving business excellence, and (iv) investing immediately in infrastructure, people and operational capability to reduce service failures and enhance responsiveness to customer incidents. The Lighthouse Pillars are supported by other improvements in underlying business processes and systems, such as strengthening asset data and network control, to enhance the SEW understanding and awareness of operational risk.

Alongside the short-term performance improvement generated by the Lighthouse Pillars, SEW is implementing enterprise-wide interventions to modernise and transform its business fundamentals. This will include strategic investment in people, process and systems that will enable SEW to (i) establish greater visibility and control of network performance, (ii) improve governance, and (iii) modernise the application of technology and data-led capability in asset management.

SEW is committed to establishing Lighthouse as a single transformation programme to deliver a water supply that customers and stakeholders expect. As the single transformation programme, Lighthouse will also incorporate delivery of the Ofwat Operational Undertakings and Ofwat Downgrade Undertakings and will establish robust governance and accountability over the delivery of initiatives and wider commitments such as the Ofwat performance improvement plan.

The Lighthouse programme of work is underway with the focus on immediate performance recovery in the most challenging operational areas, with key performance improvements already observed during the recent summer heatwaves. Work is underway to develop detailed, timebound, costed, and outcome focused plans to deliver sustainable performance recovery, operational resilience, service delivery, financial sustainability and compliance, positioning SEW as a leading water company by the end of AMP8.

Insurance

SEW 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, cyber, water resilience and terrorism.

These insurance policies have been reviewed and approved by an independent reputable insurance adviser maintained to ensure that SEW's insurances: (i) are consistent with Good Industry Practice (ii) have regard to the risk being covered (iii) address the interests of SEW and each Finance Party and (iv) are placed and maintained with insurers and underwriters of international repute and who are not affiliates of SEW.

Environment

SEW has developed a high level, over-arching environmental policy. The policy encompasses a sustainable approach to financial performance, investment in operating assets, regard for the environment and responsible relationships with the communities within which SEW operates.

The policy is implemented across SEW’s business and is delivered through a company-wide environmental strategy and shared through its annual environmental report. The report sets out SEW’s approach to the management of environmental risk, legal compliance and what it sees as areas of future environmental risk for its business.

SEW 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 through the provision of strategies and performance targets in the following areas:

- Water resources and strategic water resource management;
- Carbon accounting and climate change;
- Waste reduction, minimisation and management; and
- Land, biodiversity and management of company owned Sites of Special Scientific Interest.

Pensions

SEWPS provides benefits to current and former group employees. From 17 June 2011 onwards, benefits from the SEWPS have been provided solely on a defined contribution basis depending on the category of membership. The final salary defined benefit section of the scheme was closed to new entrants with effect from July 2002. On 31 March 2015 both of the SEW Financing Group’s defined benefit schemes closed to further benefit accrual, at which point all active members became deferred members.

The last full actuarial valuation of the SEWPS took place as at 31 March 2023. On 12 December 2024 the trustees of the SEWPS entered into an insurance transaction to fully insure the pension scheme, resulting in a revised schedule where no further deficit contributions will be paid to the South East Water scheme after 31 March 2025.

The last full actuarial valuation of the MKGPS took place as at 31 March 2023. On 5 December 2022 the trustees of the MKGPS entered into an insurance transaction to fully insure the pension scheme, meaning no contributions were made to the Mid Kent Water scheme for years ended 31 March 2025 and 31 March 2026.

The company operates and funds a stakeholder pension scheme which is a defined contribution scheme which is available to all staff. Employees of the company are entitled to a maximum company contribution of 10 per cent. at a personal contribution rate of 8 per cent. SEW also has obligations to pay a number of former employees' pensions on a defined benefit basis which are not included in either of the pension schemes, and these pensions are paid by SEW directly from company funds.

As of 31 March 2025, the SEWPS held a total fair value of assets of £106,526,000, where matching policies for insured persons account for 95 per cent. of the assets and cash accounts for 5 per cent.

As of 31 March 2026, the SEWPS held a total fair value of assets of £104,376,000, where matching policies for insured persons account for 94 per cent. of the assets and cash accounts for 6 per cent.

As of 31 March 2025, the MKGPS held a total fair value of assets of £58,476,000, where matching policies for insured persons account for 95 per cent. of the assets and cash accounts for 5 per cent.

As of 31 March 2026, the MKGPS held a total fair value of assets of £2,338,000, where cash and cash equivalents account for 100 per cent.

Litigation/Actions

In common with other companies in the water and wastewater industry, SEW may from time to time be subject to litigation, arbitration and regulatory proceedings in the ordinary course of its operations. The outcome of any current or future proceedings cannot be predicted with certainty, and an adverse outcome in any proceedings could have a material adverse effect on SEW's financial condition, reputation and operations.

Details of the current and threatened claims are set out below.

Current Claims

SEW v Elster Meters Limited

SEW is in a contractual dispute with Elster Meters Limited concerning warranty claims in respect of failed meters and AMR modules, which claim is capped at £10 million. Following a ruling in SEW's favour on the question of Schedule 11 liability, the proceedings are currently at the re-pleading stage, with parties reformulating their arguments on quantum, product quality and misrepresentation. The quantum of SEW's claim is currently under review by a forensic accountant.

SEW v Royal Borough of Windsor and Maidenhead

SEW has lodged an appeal in the Magistrates' Court against a statutory nuisance noise abatement notice issued by the Royal Borough of Windsor and Maidenhead (RBWM) in connection with ongoing noise and vibration arising from the operation of water pumps at the College Avenue Water Treatment Works. The abatement notice requires SEW to implement temporary noise-reduction measures, submit a detailed mitigation plan and complete permanent mitigation works. SEW disputes the proportionality of the notice, contending that the works required are disproportionate to the nuisance caused by an essential public service. Were the notice to be upheld in its current form, the planned engineering works — which would involve the rebuilding of pumping facilities — are estimated to cost up to £500,000. A court hearing date is currently awaited, at which the Court will ultimately determine the appropriate mitigation steps and associated timescales.

Summerleaze Limited v SEW

Summerleaze Limited has brought a claim against SEW asserting that it has a statutory right to work on mines and minerals at or near SEW's water mains and that the cost of any relocation of SEW's water main arising from such works would fall upon SEW. SEW disputes both claims. The costs of diverting, removing or otherwise taking reasonable steps to protect the relevant water pipe for the duration of the mining works have not been formally quantified but are currently estimated to be in excess of £1 million. The matter is progressing towards a further directions hearing, the primary objective of which is to determine the appropriate scope of expert evidence.

Threatened Claims

Southern Water v SEW

Southern Water has indicated an intention to bring a claim against SEW in connection with damage to the A26 Maidstone Road arising from a sinkhole that appeared in the highway. Road reinstatement costs are currently estimated at approximately £1.5 million. This claim would have the benefit of insurance cover, subject to a deductible of £100,000. No proceedings have been instigated to date; Southern Water is awaiting receipt of a claim from Kent County Council for recovery of road repair costs before commencing proceedings against SEW.

Kent County Council v SEW

Kent County Council has indicated a potential claim against SEW in connection with damage to Castle Way, Aylesford, arising from a sinkhole that appeared in the highway. Road reinstatement costs are currently estimated at approximately £1 million. This claim would have the benefit of insurance cover, subject to a deductible of £100,000. No proceedings have been instigated to date, and SEW has denied liability.

Ofwat Undertakings

As described in Chapter 3 (*Risk Factors*) (*Regulatory, Debt and Equity Outlook of SEW*), SEW may incur material regulatory fines and penalties in respect of breaches of Licence conditions or statutory requirements.

Ofwat Operational Undertakings

In March 2026, Ofwat published a draft notice proposing to issue an enforcement order and impose a financial penalty on SEW in relation to alleged contraventions of section 37 of the WIA and Condition P12 of SEW's Licence, arising from repeated supply interruption incidents in Kent and Sussex since 15 November 2018 which, amongst other things, proposed a financial penalty of £22.46 million. SEW was also the subject of a separate investigation by Ofwat under Condition G of SEW's Licence, namely whether SEW has complied with its obligation to provide high standards of customer service and support for its customers under Condition G of SEW's Licence. On 14 July 2026, Ofwat published the Ofwat Operational Undertakings, pursuant to which Ofwat accepted SEW's request for formal undertakings pursuant to section 19 of the WIA which, amongst other things, included a redress package worth £30.5 million in lieu of other regulatory enforcement actions. Ofwat's investigation was at an advanced stage during the 2025/26 Supply Interruptions, therefore the Ofwat investigation did not obtain evidence in relation to the recent supply interruption issues in Sussex and Kent in November 2025 to January 2026. Since the publication of the Ofwat Operational Undertakings, SEW has experienced further supply interruption issues in Kent in July and August 2026. SEW's expectation is that the supply interruption events from November 2025 to August 2026 will not lead to any amendments being made to the Ofwat Operational Undertakings. The Ofwat Operational Undertakings consist of the following broad requirements, being:

(A) SEW shall ensure that it is developing and maintain an efficient and economical system of water supply within its Eastern region and that it is making all such arrangements: (i) for providing supplies of water to premises in its Eastern region and to make such supplies available to persons who demand them, and (ii) for maintaining, improving and extending its water mains and other pipes, as are necessary for securing that SEW is and continues to be able to meet its obligations under the WIA. SEW also agreed to act in according with the general expectations set out in the Ofwat Operational Undertakings.

(B) SEW shall develop or have in place policies and approaches in relation to incidents (as defined in Condition G1.1 of SEW's Licence), including supply interruption incidents, to meet the principles for customer care, implement or continue to follow such policies and approaches in a way that meets the principles for customer care, and develop or have in place the necessary policies and approaches to provide the standards of support to NHH customers, and implement these, in order to meet the NHH support standards, and ensure compliance with its statutory duties and Licence obligations.

(C) SEW shall act in a manner which is best calculated to ensure that it has in place adequate financial and management resources and systems of planning and internal control to enable it to meet its duties and carry out its functions, including those under section 37 of the WIA, Condition G of SEW's Licence, the NHH support standards, and the Security and Emergency Measures (Water and Sewerage Undertakers and Water Supply Licensees) Direction 2022.

(D) SEW is to make a number of additional investments, beyond the scope its existing PR24 plan, to provide redress and to improve SEW's supply resilience performance. SEW's shareholders shall wholly fund such investment, including through the reallocation of existing cash, which includes a total of £30.5 million on projects during AMP8 such as (i) establishing and administering a community fund to provide support for areas in SEW's Eastern region that were impacted by the 2025/26 Supply Interruptions, through charities, community groups and not-for-profit organisations (£1.5 million), (ii) providing on-site storage options for vulnerable sites, including special educational needs schools, medical facilities, care homes, nurseries and schools (£1 million), (iii) providing on-site storage options for key water user businesses to be linked with smart metering technology, which will assist with managing supply during peak demand (£5 million), (iv) the provision of free water butts for household customers associated with targeted proactive messaging to recipients in advance of and during peak demand (£5 million), and (v) the acceleration of SEW's investment into its smart metering programme for NHH premises to improve demand management (£5 million). The remaining £13 million is comprised of an AMP8 remediation contribution for actions arising from Ofwat's investigation.

(E) To the extent required for compliance with Condition P12 of SEW's Licence, SEW shall have in place processes to ensure its senior management and Board actively review and challenge SEW's compliance with the obligations set out in sub-paragraph (C) above on a regular basis, including when considering and signing off the annual risk and compliance statements and the ring-fencing certificates.

(F) An independent monitor has been appointed to report SEW's compliance with the Ofwat Operational Undertakings. SEW is also under an obligation to report on its website, starting from 14 January 2027, its progress against its obligations set out in the Ofwat Operational Undertakings in six-monthly intervals.

Ofwat Downgrade Undertakings

Moody's announced on 28 May 2026 a downgrade of the Cayman Issuer's senior secured rating from Baa3 to Ba1 and assigned a Ba1 corporate family rating and a Ba2-PD probability of default rating to SEW, each with a negative outlook, citing, amongst other things, the 2025/26 Supply Interruptions and the potential for harsher penalties given the overall political outlook on the sector and SEW (the "**Moody's Downgrade**"). Following the Moody's Downgrade, neither SEW nor SEW's associated companies (being the Issuer and the Cayman Issuer), maintains two investment grade credit ratings as required under Condition P26 of SEW's Licence and therefore at the time of this Prospectus SEW is in breach of its Licence. On 14 July 2026, SEW published the Ofwat Downgrade Undertakings, which are identical in content to the Ofwat Operational Undertakings, pursuant to which Ofwat accepted SEW's request for formal undertakings pursuant to section 19 of the WIA which, amongst other things, with the Ofwat Operational Undertakings, total a redress package worth £30.5 million in lieu of other regulatory enforcement actions. Further to the Moody's Downgrade, on 24 July 2026, S&P announced a downgrade of the Cayman Issuer's senior secured rating from BBB- to BB+, reduced the stand-alone credit profile of the Cayman Issuer to BB from BB+ and assigned a recovery rating of "3" to the

Cayman Issuer's debt, reflecting S&P's rationale citing, amongst other things, the 2025/26 Supply Interruptions and that if SEW does not raise additional debt SEW's liquidity is tight. On 13 August 2026, Ofwat published functional, factual amendments to the Ofwat Downgrade Undertakings in order to bring the 24 July 2026 S&P downgrade into the scope of the Ofwat Downgrade Undertakings. The amendments made to the Ofwat Downgrade Undertakings are of a contextual nature only, and do not amend the substance of the Ofwat Downgrade Undertakings.

Current ring-fencing provisions in the Licence

The existing ring-fencing provisions contained in the Licence are broadly similar to those contained in the licences of all other regulated companies. The most important provisions are contained in Licence conditions F and K, summarised below:

(A) **Transactions between SEW and its associated companies:** any transaction between SEW 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 SEW (or vice versa). In particular, SEW may not make any payments to an associated company in respect of services rendered where this exceeds an amount ascertained through market testing or as agreed with Ofwat.

(B) **Restrictions on Dividend Payments:** SEW is required to only pay dividends in accordance with a policy that complies with the following principles:

- Financial Resilience: Dividend payments must not impair SEW's ability to finance its regulated activities or its long-term financial resilience. This includes maintaining adequate headroom against its credit rating thresholds and ensuring that gearing levels remain sustainable.
- Performance for Customers: The payment of dividends must be clearly linked to, and reflective of, SEW's delivery of its obligations to customers and the environment. This includes meeting performance commitments (outcomes) and maintaining high standards of operational service.
- Transparency and Justification: SEW must provide a clear and transparent explanation in its Annual Performance Report of how the dividend paid is appropriate. This includes demonstrating how the Board has considered SEW's performance across all metrics, including the impact on the "social contract" with its customer base.
- Management of Risk: Dividend payments must reward the management of economic risk and the achievement of efficiencies, provided that such rewards do not come at the expense of long-term asset health or environmental compliance.
- Capital Structure Alignment: The Board must certify that the dividend is consistent with a capital structure that ensures SEW remains an "Investment Grade" entity, specifically considering the impact of inflation and the Regulatory Capital Value ("**RCV**").

(C) **Adequate Resources:** SEW is required at all times to act in a manner best calculated to ensure that it has adequate financial resources and facilities and also management resources to carry out its regulated activities (including necessary investment programmes). The directors of SEW are required to certify on an annual basis that this requirement will continue to be met for the subsequent 12 month period. The basis on which such a view is formed must also be disclosed to Ofwat. As soon as the directors become aware of a reason why SEW cannot be expected to comply with this obligation, they are to file a report to this effect to Ofwat in accordance with the provisions of the Licence.

(D) **Conducting the Appointed Business of SEW:** SEW (and its directors) is required to operate the regulated business as though it were substantially SEW's sole business and SEW was a separate public limited company. In particular, SEW should:

- have an independent board of directors which will act independently of the parent company/controlling shareholders and exclusively in the interests of SEW;
- ensure that all directors disclose any conflicts of interest both to SEW and Ofwat, and that SEW's articles of association prohibit a director from voting on any contract or arrangement or other proposal in which he has an interest by virtue of other directorships;
- ensure that, where a potential conflict between SEW and its corporate group arises, SEW and its board of directors has exclusive regard to SEW's interests as a regulated water undertaker;
- notify Ofwat of all changes in board membership and their responsibilities; and
- have a dividend policy which is adopted by the board of directors as outlined above.

(E) **Limits on the transfer of certain assets to associated companies:** save with the express consent of Ofwat, SEW 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.

(F) **Restrictions on other transactions:** save with the express consent of Ofwat, SEW 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). There are limited exceptions relating to existing cross-default obligations.

(G) **Publishing of financial information:** SEW is required to publish such information about its annual and interim financial results as is required by the Listing Rules as if SEW were listed on the London Stock Exchange.

(H) **Maintenance of a financial instrument listed on the London Stock Exchange:** SEW is required to maintain a financial instrument and shall use all reasonable endeavours to retain its listing on the London Stock Exchange.

(I) **Conducting the regulated business of SEW:** SEW (and its directors) is required to comply with the UK Corporate Governance Code and Ofwat's Principles of Board Leadership, Transparency and Governance.

(J) **Investment grade credit rating:** SEW (or any associated company) will be required to use reasonable endeavours to maintain an investment grade issuer credit rating. The issuer rating will reflect the financial capacity of the regulatory company and therefore its ability to raise capital or maintain access to liquidity in the future. Any significant adverse changes to the rating will act as an early signal that the ability of the regulated company to raise future finance is at risk.

Additional restrictions in SEW's Licence

Cash lock-up

A "Cash Lock-Up" provision is mandated under License Condition P (specifically the "Regulatory Ring-Fence" obligations). This provision prohibits SEW, subject to certain limited exceptions, from transferring, leasing, licensing, or lending any sum of cash or other assets to an associated company (including the payment of dividends to its ultimate shareholders, UTA, NatWest Pension Fund and Desjardins) without the express written consent of Ofwat.

The Lock-Up is triggered automatically if SEW:

- No longer holds an Investment Grade rating from each Credit Rating Agency that provides a public rating for SEW;
- Holds a rating at the Minimum Investment Grade level (e.g., Baa3 by Moody's or BBB- by Fitch) and that rating:
  - Has been put under review for a possible downgrade; or
  - Has been assigned a Negative Outlook (or equivalent);

The "Reasonable Opinion" Trigger: Holds a rating that, in the reasonable opinion of Ofwat, is likely to be downgraded to sub-investment grade due to SEW's financial or operational performance, even if a formal rating action has not yet been taken by the agencies.

Furthermore, under the 2023 License modifications, SEW is prohibited from making any "Restricted Payments" (including dividends) if the board cannot certify that SEW has sufficient financial resources to meet its obligations for at least the next 12 months, or if such a payment would jeopardize SEW's ability to maintain its target credit rating.

SEW triggered the Lock-Up provisions of the Licence in November 2024 and is not permitted to pay a dividend without Ofwat's consent whilst the Lock-Up is in effect.

Ultimate Controller undertakings

Licence condition P (as amended) requires SEW to secure legally enforceable undertakings from its Ultimate Controller and, when such Ultimate Controller is not the UK holding company, that it (and each of its subsidiaries other than SEW and its subsidiaries) will:

- give SEW all such information as may be necessary to enable SEW to comply with the Instrument of Appointment;
- refrain from any action which might cause SEW to breach any of its obligations under the WIA or its Licence; and
- ensure that the board of directors of SEW contains not less than three independent non-executive directors, who must be persons of standing with relevant experience and who collectively have connections with and knowledge of the areas within which SEW provides water services and an understanding of the interests of the customers of SEW and how these can be respected and protected.

SEW must inform Ofwat immediately in writing if it becomes aware that the undertakings have ceased to be legally enforceable, or that there has been any breach of their terms. Further, save with the written consent of Ofwat, SEW must not enter (directly or indirectly) into any contract or arrangement with its Ultimate Controller or any associated company (other than subsidiaries of SEW) at a time when no such undertaking exists or there is an unremedied breach of such undertaking. For the purposes of the amended Condition P, "**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.

Directors and Company Secretary

The directors and company secretary of SEW are set out below, each of whose business address is Rocfort Road, Snodland, Kent ME6 5AH.

Executive Directors

John Halsall – Chief Executive Officer

John was appointed as CEO on 23 July 2026, following regulatory approval. John brings more than 25 years of transformation and operational leadership experience across public and private sector infrastructure organisations. He has previously served as Chief Operating Officer at Pennon Group, where he was responsible for water and wastewater operations across South West Water, Bournemouth Water and Bristol Water. He has also held senior roles at Network Rail, including leading rail infrastructure in the South East of England, and spent 17 years at Thames Water in engineering, asset management, capital delivery and water services roles.

John takes up the role at a critical moment for SEW. He comes with a clear plan to improve day-to-day performance and rebuild trust with customers

Andrew Farmer – Chief Financial Officer

Andrew, who joined as CFO on 1 August 2015, has held a number of senior management posts in finance, most recently at MAG plc, the country's largest UK owned airport operator, and Doosan Power Systems, a leading manufacturing, energy technologies and services company. Andrew is a non-executive director of Moat Homes, a housing association in the south east of England. Andrew qualified as a Chartered Accountant with PricewaterhouseCoopers and holds a BSC (Hons) in Engineering and Business Studies from the University of Warwick.

Non-Executive Directors

Mark McArdle – Non-Executive Director

Mark was appointed as a non-executive director on 9 February 2022. Mark joined Morrison Infrastructure (UK) Limited as an Investment Director in Morrison's ANZ Investment Team, based in the Sydney office before relocating to London as part of the European investment team in November 2021. Prior to joining Morrison in 2020, Mark was an investment professional in QIC's Global Infrastructure business, focused on the utilities and renewable sectors, where he was responsible for origination, transaction execution and asset management. Prior to QIC, Mark worked in M&A and financing roles within the utilities and renewable sectors at RBC Capital Markets in both London and Sydney. Mark is a non-executive director of Anytime Radiology UK Limited, Innagreen One Limited, Chrysalis UK Holdings Limited and Chrysalis Renewables GP Limited, as well as UTA Hong Kong Holdings Limited. Mark holds a Masters of Chemistry from the University of Oxford.

Michael McKinstry - Non-Executive Director

Michael was appointed as a non-executive director on 15 August 2024. With over 35 years' experience, he acts as senior adviser to Vantage Infrastructure Group (part of the Capital Four group) in relation to SEW. Michael was an executive director at a regulated infrastructure company, Phoenix Energy Group, retiring in 2023 after 27 years with the business, having served as Group CEO from 2014 and previously holding other roles including Group CFO. He is a director at Choice Housing Limited and advises Forward Emphasis International in relation to regulated insurance and financial services. Michael is a Fellow of the Association of Chartered Certified Accountants (FCCA).

Independent Non-Executive Directors

Lisa Clement – Interim Independent Non-Executive Chair

Lisa was appointed as an independent non-executive director in January 2023 and is chair of the audit and risk committee. On 30 April 2026, Lisa also assumed the position as Interim Independent Non-Executive Chair. During her executive career, Lisa worked across a wide range of sectors for companies ranging from multi-billion pound UK and US main-market listed global conglomerates to start-up private equity backed SMEs. Her roles included being Chief Financial Officer for Sea Containers Ltd. Subsequently, she was a non-executive director and chair of the audit committee for U.K. Coal PLC during its restructure and reorganisation into Harworth Group PLC, where she also chaired the audit committee, then later chaired the remuneration committee and was senior independent director. She was previously a non-executive director and chair of the remuneration committee for Light Science Technologies Holdings PLC. Lisa is a Chartered Accountant and graduate of Oxford University.

Célia Pronto – Independent Non-Executive Director

Célia was appointed as an independent non-executive director on 1 June 2018 and is chair of the remuneration committee. On 30 April 2026, Celia also assumed the position as chair of the nomination committee, which will lead the search process for the new chair. Célia has previously held a range of senior executive roles and has a wealth of experience and expertise in a range of industries. Célia is a non-executive director of Direct Wines Limited together with Direct Wines Holdings Limited and Samworth Brothers (Holdings) Ltd. She is a non-executive director of Everest UK Bidco Limited (a Jersey registered company), where she chairs the risk and audit committee. She is the founder of Impact Ventures Group Limited. Célia holds a Bachelor of Commerce undergraduate degree and an MBA.

Caroline Sheridan – Independent Non-Executive Director

Caroline was appointed as a non-executive director on 12 February 2025. A Chartered Civil Engineer, Caroline brings 30 years of diverse experience in asset investment, engineering, and capital delivery. Her extensive career spans critical infrastructure at Heathrow Airport, Transport for London (leading capital investment and asset strategy across the network), and Thames Water Utilities, where she was Engineering and Asset Director. Since March 2026, Caroline has had an executive role in a leading UK organisation delivering its capital programme and transformation. Caroline advises within the water, rail, and nuclear sectors and until September 2025, she was a director at the Construction Industry Research and Information Association (CIRIA). Caroline holds a MSc in civil engineering from the University of Leeds and is a chartered member of ICE.

There are no potential conflicts of interest between any duties to SEW of its directors and their private interests or duties.

Company Secretary

Caroline Bystrom – Company Secretary

Caroline Bystrom has over 28 years' experience and qualified as a solicitor (England and Wales) in 1999. She has been a lawyer at SEW since 2025 following a successful career across top tier regulated international brands and law firms, during which Caroline strategically structured, negotiated and managed a range of UK and global multi-million-dollar projects and restructuring programmes.

Independent Monitor

Pursuant to the Ofwat Downgrade Undertaking, Ofwat has appointed an independent monitor who will, amongst other things, support Ofwat's monitoring and review of SEW's compliance with both the Ofwat Downgrade Undertaking and the Ofwat Operational Undertakings. Such independent monitor will be appointed for as long as the Ofwat Downgrade Undertakings are in effect.

Company Structure as at 25 August 2026

The registered office of SEW is Rocfort Road, Snodland, Kent ME6 5AH. SEW is a wholly-owned direct subsidiary of SEWH and the authorised share capital of SEW is £324,312,354 divided into 324,312,354 ordinary shares as at 31 March 2026. The Issuer is wholly owned by SEW.

SEW has issued perpetual debenture stock, which is admitted to trading on the Main Market of the London Stock Exchange plc and admitted to the Official List of the FCA.

Corporate governance

The primary object of SEW is to carry out the business of a regulated water undertaker.

The directors of SEW promote high standards of corporate governance and have due regard to the requirements of the Combined Code on Corporate Governance in so far as these are applicable to the circumstances of a privately owned group. SEW complies with the requirements of its Instrument of Appointment and in particular with those of Condition P.

The composition of the Board of directors complies with this requirement and the Board currently comprises five non-executive directors of which three are considered to be independent with respect to Condition P of the Licence.

Whilst the directors of SEW complied with the principles of the Combined Code on Corporate Governance through the financial year ended 31 March 2026, SEW notes that the directors have agreed to temporarily diverge from the Combined Code on Corporate Governance in a limited way, relating to the resignation of the Chair, as Lisa Clement is currently filling both the Chair role, and is also in the role of chair of the audit and risk committee. As part of this decision, the non-executive directors carefully evaluated several options, but came to the conclusion that (i) no other current independent non-executive director possesses the required accounting qualification and financial experience to act as chair of the audit and risk committee, and (ii) recruiting a new independent non-executive director to chair the audit and risk committee was impractical as the annual audit and reporting processes were already well underway. These transitional board arrangements have been discussed with Ofwat and SEW's independent auditors. An implication of this decision is that, since 30 April 2026, SEW only has three independent non-executive directors.

A further divergence from the principles of the Combined Code on Corporate Governance is in relation to the requirement for SEW's nomination committee to assess succession planning. The directors of SEW has considered aspects of succession planning for membership of the Board of directors as a whole. SEW considers that this divergence brings the benefit of a more challenging yet inclusive approach, offering a wider, balanced perspective, when considering skills and attributes of prospective members and executive team appointments. The nomination committee has been delegated authority to deal with the process of Board appointments and to consider and recommend appointments of new directors that may be selected in accordance with the succession planning approach agreed by the Board. Both the Board and the nomination committee observe appropriate protocols for conflict management during succession planning.

SEW is also subject to the provisions of the Companies Act 2006 and its statements of directors' duties.

An audit and risk committee is responsible for overseeing financial statements and reports to the Board on significant aspects of financial reporting. It reviews the scope and results of financial audits, accounting policies and judgements, amongst other responsibilities.

A remuneration committee is responsible for determining and agreeing with the board the policy for the remuneration of SEW's top executives and setting targets promoting the highest standards of performance.

An environmental, social and governance ("**ESG**") committee assists the Board in defining its strategy relating to ESG matters and in reviewing the practices and initiatives of the SEW relating to ESG matters. It also monitors performance against SEW's ESG commitments.

The directors have adopted a formal schedule of matters specifically reserved for the Board and a formal schedule of the division of responsibilities between the chairman and the managing director.

Directors have responsibility for the Group's system of internal controls and for reviewing its effectiveness in particular in respect of compliance with health and safety regulations. The board regularly reviews the ongoing process for identifying, evaluating and managing the risks faced by the Group in accordance with Revised Guidance for Directors on the Combined Code (the Turnbull guidance).

SOUTH EAST WATER (HOLDINGS) LIMITED

Introduction

SEWH was incorporated under the Companies Act 1985 and registered in England and Wales on 20 May 2003 with limited liability under number 4771490 and under the name Hackremco (No. 2061) Limited. On 2 June 2004, it changed its name to South East Water (Holdings) Limited.

The registered office of SEWH is Rocfort Road, Snodland, Kent ME6 5AH. SEWH is a wholly-owned direct subsidiary of Hastings Water (UK) Limited and its authorised share capital is £420,407,527 divided into 420,407,527 ordinary shares as at 31 March 2026. SEWH is a special purpose vehicle set up as a holding company and its direct and indirect subsidiaries are SEW and the Issuer respectively.

Directors and Company Secretary

The directors and company secretary of SEWH, each of whose business address is Rocfort Road, Snodland, Kent ME6 5AH, are:

Directors:	Mark Gerard Denis McArdle
	Omar Rahman
Company Secretary:	Caroline Bystrom

Descriptions of their principal activities outside the SEW Financing Group, if any, can be found above under "SEW – Directors and Company Secretary".

There are no potential conflicts of interest between any duties to SEWH of its directors and their private interests or duties.

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

SEWH 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 SEWH's articles of association to exercise that power on its behalf.

SOUTH EAST WATER ISSUER PLC

Introduction

The Issuer was incorporated under the Companies Act 2006 and registered in England and Wales on 29 May 2026 with limited liability under number 17249934. The registered office of the Issuer is Rocfort Road, Snodland, Kent ME6 5AH.

The Issuer is a wholly-owned direct subsidiary of SEW and is the special purpose funding vehicle for raising funds to support the long-term debt financing requirements of SEW. The authorised share capital is £50,000 divided into 50,000 ordinary shares of £1.00 each as at the date of incorporation of the Issuer. The Issuer has no subsidiaries. The Issuer's independent auditors are PricewaterhouseCoopers LLP whose address is 1 Embankment Place, London, WC2N 6RH. Since the date of incorporation, the Issuer has not commenced operations (save for applying for its trading certificate), and no financial statements have been drawn up as at the date of this Prospectus.

The Issuer's LEI is 213800LRMZKO8IC23249.

Directors and Company Secretary

The directors and company secretary of the Issuer, each of whose business address is Rocfort Road, Snodland, Kent ME6 5AH, are:

Directors:	Lisa Jane Clement
	Andrew Robert Farmer
	Mark Gerard Denis McArdle
	William Francis Michael McKinstry
Company Secretary:	Caroline Bystrom

Descriptions of their principal activities outside the SEW Financing Group, if any, can be found above under "SEW – Directors and Company Secretary".

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

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

The 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 Issuer's articles of association to exercise that power on its behalf.

SOUTH EAST WATER (FINANCE) LIMITED

Introduction

Cayman Issuer, South East Water (Finance) Limited, was incorporated and registered in the Cayman Islands under the Companies Law (2003 Revision) on 4 June 2004 with limited liability under number MC-136473. The registered office of Cayman Issuer is c/o Maples Corporate Services Limited, PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands.

Cayman Issuer is a wholly-owned direct subsidiary of SEW and is the special purpose funding vehicle for raising funds to support the long-term debt financing requirements of SEW. The authorised share capital is £25,000 divided into 25,000 ordinary shares of £1 each, 100 of which are issued and fully paid up as at 31 March 2026. Cayman Issuer has no subsidiaries. Cayman Issuer's independent auditors are PricewaterhouseCoopers LLP whose address is 1 Embankment Place, London, WC2N 6RH

Directors and Company Secretary

The directors and company secretary of Cayman Issuer, each of whose business address is Rocfort Road, Snodland, Kent ME6 5AH, are:

Directors:	Andrew Robert Farmer
	Mark Gerard Denis McArdle
Company Secretary:	Caroline Bystrom

Descriptions of their principal activities outside the SEW Financing Group, if any, can be found above under "*SEW – Directors and Company Secretary*".

There are no potential conflicts of interest between any duties to Cayman Issuer of its directors and their private interests or duties.

Cayman Issuer has no employees nor does it own any physical assets. Administration and treasury functions are conducted on its behalf by SEW. Cayman Issuer has issued three Sub-Tranches of Bonds which are admitted to trading on the Main Market of the London Stock Exchange plc and admitted to the Official List of the FCA.

Cayman 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 Cayman Issuer's articles of association to exercise that power on its behalf.

CHAPTER 6
REGULATION OF THE WATER INDUSTRY IN ENGLAND

Water Regulation Generally

Background

The structure of the water and sewerage industry in England and Wales dates from 1989, when the Water Act 1989 was enacted. As at August 2025, Ofwat recognised 11, typically large, regional companies providing water and sewerage services, five regional companies providing water services only, 12 local companies providing water or sewerage or both (together the "**Regulated Companies**"), 39 water supply and/or sewerage licensees offering regulated retail services to non-household customers (subject to the terms of their relevant licence authorisations) and one infrastructure provider. The provisions of the Water Act 1989 are now mainly contained in the consolidated WIA which itself has been substantially amended by the Water Industry Act 1999, the Water Act 2003, the Flood and Water Management Act 2010, the Water Act 2014, the Environment Act 2021, WSMA 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, vested more powers and responsibilities in Ofwat and made several changes to water resources and environmental regulation. Under the Water Act 2014, the non-household retail market opened to competition in England, in April 2017. This new market structure provides a choice for owners of any (not just large) non-household premises to choose their provider as far as a retail service (for both water supply and sewerage) is concerned. These providers, or "water supply and/or sewerage licensees", comprise not only the original 12 licensees that served large-use customers before April 2017, but also new entrants. Certain eligible non-household customers can also seek to self-supply their premises. The Government announced plans for major reform for the regulation of the water sector in January 2026 in its white paper A New Vision for Water.

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 Appointment. Under the WIA, the Secretary of State 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 in accordance with a general authorisation given by the Secretary of State to Ofwat.

Ofwat, a non-ministerial government department, is the economic regulator for water and wastewater in England and Wales and is responsible for, *inter alia*, setting price controls and monitoring and enforcing Conditions of Appointment. Regulated Companies are required by their Conditions of Appointment to make an annual return to Ofwat (including accounts and financial information) to enable Ofwat to assess their affairs. Key additional regulators are the Drinking Water Inspectorate ("**DWI**") and the Environment Agency ("**EA**").

The DWI's principal task is to ensure that Regulated Companies are fulfilling their statutory requirements under the WIA and the Water Supply (Water Quality) Regulations 2016 as updated in 2018 (the "**Water Quality Regulations**") for the supply of wholesome drinking water. The DWI acts as a technical assessor on behalf of the Secretary of State in respect of the quality of drinking water suppliers and carries out technical audits. The DWI has issued a series of transformation notices requiring delivery of operational, governance and asset management improvements across AMP8, following water quality and resilience concerns identified through recent incidents. These include (i) strengthening governance frameworks, operating procedures and site documentation, alongside improvements to water quality monitoring, (ii) enhancing water quality methodologies, operational risk assessments and safety planning, including completion of hazard reviews across all treatment works, and (iii) the establishment of a comprehensive asset health policy for reservoirs, towers and tanks, including implementation of risk-based inspection regimes and delivery of remediation programmes. SEW's AMP8 investment programme is designed to comply with each of these expectations.

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 Consumer Council for Water ("**CCW**") provides advice and support to customers, promotes the interests of customers more widely, and assists in the resolution of customer complaints.

In January 2026, the UK Government published the white paper A New Vision for Water setting out an extensive programme of reform for the water sector. Central to the white paper A New Vision for Water is Government's stated intention to create a new, single, integrated water regulator, to be formed by abolishing Ofwat and combining the relevant water functions currently undertaken by Ofwat, the DWI, EA and Natural England. Existing regulators retain their legal powers until the new regulator is legally established. The Government intends to set out the detail of the transition in a Transition Plan to be published in 2026, with water reform legislation to follow. The white paper A New Vision for Water also envisages the creation of a Water Ombudsman, with the power to impose legally binding resolutions when a water company has failed to resolve customer complaints.

The white paper A New Vision for Water also proposes reforms to align water with other regulated sectors by replacing the current third-party redetermination for price control processes led by the Competition and Markets Authority with a more focused appeals process. If implemented, this could change the basis upon which SEW can appeal future price determinations.

Ofwat and the Secretary of State

The chairman and other members of Ofwat are appointed for fixed terms by the Secretary of State. They are independent of government ministers and may only be removed for incapacity or misconduct.

As above, the Government's white paper A New Vision for Water envisages abolishing Ofwat and replacing it with a new, single, integrated water regulator.

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 their powers and duties under the WIA in the manner they consider best calculated to:

(i) further the consumer objective which is to protect the interests of consumers (including specified categories of consumer which would include, for example, individuals (i) who are disabled or chronically sick; (ii) of pensionable age; (iii) with low incomes; or (iv) living in rural areas), wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the provision of water and sewerage services;

(ii) secure that the functions of Regulated Companies are properly carried out as respects every area of England and Wales;

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

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

(v) further the resilience objective, which is to secure:

(a) the long-term resilience of water supply and sewerage systems as regards environmental pressures, population growth and changes in consumer behaviour;

(b) that Regulated Companies take steps for the purpose of enabling them to meet, in the long term, the need for the supply of water and the provision of sewerage services to consumers, including by promoting appropriate long term planning and investment and taking a range of measures to manage water resources in sustainable ways and to increase efficiency in the use of water and reduce demand for water so as to reduce pressure on water resources.

Subject to these primary duties, each of the Secretary of State and Ofwat has a number of secondary duties, including obligations to:

(i) protect economy and efficiency on the part of Regulated Companies;

(ii) secure that no undue discrimination or preference is shown by Regulated Companies in the setting of water and drainage charges;

(iii) ensure that Regulated Companies do not show undue discrimination or preference in relation to the provision of services by itself or another water company, or by a water supply or sewerage licensee;

(iv) protect the interests of consumers in relation to the benefits that could be secured from the proceeds of disposal of certain land or interest or right in or over that land;

(v) protect the interests of consumers in relation to the carrying out of activities by Regulated Companies which do not fall within the scope of their statutory functions, or activities with parties connected to the Regulated Companies, in particular ensuring transactions are carried out at arm's length and SEW maintains and presents suitable accounts in relation to the exercise of its functions; and

(vi) contribute to the achievement of sustainable development.

Since May 2024, Ofwat also has a duty to have regard to the desirability of promoting economic growth, while the WSMA requires (once the relevant provisions of the WSMA are in force via regulations) Ofwat to consider, where relevant, how the water industry can contribute towards meeting environmental targets.

Licences

General

Under the WIA, each Regulated Company is appointed as a water and/or sewerage undertaker pursuant to an instrument of appointment. The instrument of appointment is commonly referred to as a licence. Each Regulated Company is regulated through the conditions of such licence as well as the WIA. Each licence specifies the geographic area served by SEW and imposes several conditions on the licence holder ("**Licence Conditions**") that relate to limits on charges, information reporting requirements, various codes of practice, and other matters. In addition to the conditions regulating price limits (see the section "*Economic Regulation*" below), each licence also contains conditions regulating infrastructure charges and the making of charges schemes and imposes prohibitions on undue discrimination and undue preference in charging. Other matters covered by conditions in each licence include: accounts and the provision of accounting information; core customer information, procedure on leakage; "ring-fencing" of assets and restrictions on disposal of land; underground asset management plans; the provision of information to Ofwat; fees; payments to customers for supply interruptions because of drought; obligations in relation to the Market Arrangements Code; and the introduction of water under the supply licensing regime. Ofwat is responsible for monitoring compliance with the Licence Conditions and, where necessary, enforcing compliance through procedures laid down in the WIA.

The Water Act 2003 introduced forms of licences 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' licence. This has led to an arguably less prescriptive regime that is principles-based, rather than mechanistic.

Termination of a Licence

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

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

(ii) under condition O of a licence, where the Secretary of State has given the Regulated Company at least 25 years' notice and that period of notice has expired;

(iii) under the provisions of the special administration regime, the special administrator may transfer the business and licence to a successor (see the section "Special Administration Orders" below); or

(iv) by the granting of an "inset" appointment 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. In making an appointment or variation replacing a Regulated Company and where the Secretary of State or Ofwat is to determine what provision should be made for the fixing of charges, it is the duty of the Secretary of State or Ofwat 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.

An "inset" appointment can be granted to a company seeking to provide water services on a greenfield site, or to a large user of water services (defined as supplying more than 50 Ml/d) within an existing Regulated Company's area, or where the incumbent undertaker consents to the variation.

Modification of a Licence

Regulatory landscape

Conditions of a licence 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 a licence 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 licence 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.

Proposed licence modifications

Ring-fencing

In March 2023, Ofwat made modifications to strengthen the ring-fencing Licence Conditions of the largest Regulated Companies. 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.

Relatedly, Ofwat confirmed on 28 May 2025 its decision to impose a £18.2 million penalty on Thames Water as a result of an investigation which found that Thames Water had contravened a condition of its licence when making dividend payments in October 2023 and March 2024.

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. This modification came into effect on 1 January 2023.

Customer Condition

In December 2023, Ofwat published its decision to introduce a new customer-focused condition G in each water company’s licence and delete condition J. Condition G will provide a new regulatory basis for the requirement for companies to treat customers fairly, including by providing support to customers in vulnerable circumstances. The modification came into effect on 12 February 2024.

The white paper A New Vision for Water states the intention to introduce a new independent Water Ombudsman with the power to make legally binding resolutions, as well as to strengthen the customer measure of experience (C-MeX).

Enforcement Orders

Where the Secretary of State or Ofwat is satisfied that a Regulated Company is contravening, or is likely to contravene, a Licence Condition, or a relevant statutory or other requirement, either the Secretary of State or Ofwat 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 more appropriate to make a provisional enforcement order, they 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.

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:

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

(ii) where SEW has given, and is complying with, an undertaking to secure or facilitate compliance with the condition or requirement in question; or

(iii) where duties in the WIA preclude the making or confirmation of the order.

In addition, the WIA provides Ofwat and the Secretary of State with the power to impose financial penalties on a Regulated Company for contraventions of its Licence Conditions, performance standards and statutory or other requirements enforceable under section 18 of the WIA and in relation to which they are the relevant enforcement authorities. Penalties may be as high as 10 per cent. of a Regulated Company's turnover, but they must be reasonable in all circumstances. The enforcement authorities are required to publish a statement of policy on the imposition of penalties, and to have regard to that statement when implementing the provisions.

Special Administration Orders

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 High Court (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 licence;

(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 him 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 a licence; 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 licence.

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 a licence, the Court shall instead make a special administration order.

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, and 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 SEW will be dismissed and any receiver appointed, shall vacate its office if the special administrator requires the receiver to. Whilst a special administration order is in force, those restrictions imposed during the special administration petition period continue with some modification: an administrative receiver can no longer be appointed (with or without the leave of the Court) and, where any action does require the Court's leave, the consent of the special administrator is acceptable in its place (see "*Restrictions on the enforcement of security*" below).

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 FWMA (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 FWMA 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 unless this is not reasonably practicable or a transfer is likely to secure more effective performance of its performance 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).

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. Regulation 49 of WISAR Regulations subsequently came into force on 23 February 2024, with the remainder of the WISAR Regulations coming into force on 15 March 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 SEW'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 15 March 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 SEW'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).

WSMA 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. WSMA also introduces changes to the WIA91 provisions on winding-up petitions.

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 the Licence Conditions. For example, the WIA and all licences (including SEW's) restrict a Regulated Company's ability to dispose of protected land, which is any land that is necessary for the purposes of the carrying out of the Regulated Company's regulated activities. Accordingly, the Licence Conditions restrict a Regulated Company's ability to create a charge or mortgage over protected land or assets required for the operation of its business as an undertaker. In the case of SEW, it estimates that the vast majority of its assets by value is tangible property which is protected land and/or assets required in the operation of SEW's business as an undertaker and cannot therefore be effectively secured. This necessarily affects the ability of SEW to create a floating charge over the whole or substantially the whole of its business. However, in any event, there is no right under the WIA to block the appointment of a special administrator equivalent to the right of a holder of a floating charge over the whole or substantially the whole of the business of a non-Regulated Company to block the appointment of a conventional administrator.

In addition, provisions in a Regulated Company's licence require the Regulated Company at all times:

(i) 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 assets (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

(ii) to act in the manner best calculated to ensure that it has adequate: (a) financial resources and facilities; (b) management resources; and (c) systems planning and internal control to enable it to carry out its regulated 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 further limit the ability of a Regulated Company to grant security over its assets and may limit 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. Once an application for a Special Administration Order has been presented, security may be enforced only with the permission of the Court and no administrative received may be appointed. An administrative received appointed before the presentation of the application may, however, continue to carry out its functions while the application is pending without the permission of the Court. If a Special Administration Order takes effect, any administrative receiver must vacate office, and while the Special Administration Order remains in force, security may be enforced only with the consent of the Special Administrator or the permission of the Court, and no administrative receiver may be appointed (see "*Special Administration Orders*" above).

Once a special Administrator has been appointed, he would have the power, without requiring the Court's consent, 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 would, however, be treated as if subject to a floating charge which had the same priority as that afforded by the original floating charge.

A disposal by the special administrator of any property secured by a fixed charge given by the Regulated Company could be made only under an order of the Court unless the creditor in respect of whom such security is granted otherwise agreed to such disposal. Such an order could be made if, following an application by the special administrator, the Court was satisfied that the disposal would be likely to promote one or more of the purposes for which the order was made (although the special administrator is subject to the general duty to manage SEW in a manner which protects the respective interests of the creditors and members of the Regulated Company). Upon such disposal, the proceeds to which that creditor would be entitled would be 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 UK insolvency legislation.

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 proposals for achieving the purposes of the order to, *inter alios*, the Secretary of State, Ofwat, the registrar of companies, and the creditors of SEW. The creditors' approval of the special administrator's proposal is not required at any specially convened meeting (unlike in the conduct of a conventional administration for a non-Regulated Company under UK insolvency legislation); however, notwithstanding this, 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 so 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 the subsequent sale of, directly or indirectly, the shares in any company, including the holding company of a Regulated Company would 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 Issuer anticipates that any intended enforcement either directly or indirectly of the Guarantor Security (as defined below) or the security over, and subsequently any planned disposal of, the shares in a Regulated Company to a third party purchaser would require consultation with Ofwat. In addition, depending on the circumstances, the merger control provisions could apply in respect of any such disposal.

The white paper A New Vision for Water states that the Government will work with companies and investors to ensure companies do not accumulate unmanageable levels of debt, remain financially resilient and can attract further investment as required, with an intended objective for the new regulator being to improve the creditworthiness of the industry.

Economic Regulation

Overview

Economic regulation of the water industry in England and Wales is based on a system of five-year price controls imposed on the amounts Regulated Companies can charge for their services. This is intended to reward companies for efficiency and delivering the outcomes and performance standards that customers want. The system generally allows companies to retain a share of any savings attributable to efficiency, thus creating incentives to make such gains.

Form of price controls

At PR24, Ofwat set price controls for the total revenue a water company can earn for a water network, bioresources, retail (as well as wastewater network and wastewater treatment works). At PR24, Ofwat set price controls for SEW for Network Plus Water Activities and Water Resources Activities (both relating to wholesale activities) and Retail Activities. Certain activities are excluded from the price controls.

Periodic reviews

Price controls are generally set by Ofwat for a five-year period at periodic reviews. The most recent price control ("**PR24**") covers the 2025-2030 period. Ofwat released its Final Determinations in December 2024. The Final Determinations were subsequently referred to the Competition and Markets Authority for redetermination by a number of water companies, including SEW. The CMA published its Final Determination on 26 March 2026, which includes amendments to the determination of certain aspects of SEW's price control determination in PR24 including in relation to costs, performance and returns.

The white paper A New Vision for Water proposes reforms to the periodic review process, including the introduction of a new longer-term 5/10/25 year planning approach, the introduction of a new company-specific supervisory oversight of funding decisions (intended to build upon benchmarking and economic modelling to enable a tailored approach), as well as proposing the ring-fencing of capital maintenance expenditure, and a simpler, less duplicative and more predictable incentive framework with targets set in relation to company's current performance.

Measures of Success and Outcome Delivery Incentives

Since the beginning of the 2015-2020 five-year period Ofwat has operated a framework intended to incentivise the delivery of certain outcomes. Price control deliverables (PCDs) set targets for the delivery of agreed investments, with non-delivery and timing incentives. Outcome Delivery Incentives (ODIs) incentivise against specific targets known as Performance Commitments, and this framework includes provision for financial rewards where certain targets are exceeded and financial penalties where performance on certain measures falls short. The framework and the role of ODIs were developed and enhanced for the 2020-2025 period and further modified for the 2025-2030 period. The magnitude of the financial payments is determined by the specific ODI rates, combined with risk-protection mechanisms which may apply, for example, to limit the financial exposure that can be faced by companies and customers in relation to a given ODI. Aspects of the ODIs at PR24 were amended by the CMA as part of its redetermination decision for PR24 published on 25 March 2026.

Interim Determinations of Price Controls

Condition B of a Regulated Company's licence provides for Ofwat to determine in certain circumstances whether, and if so how, one or more price controls should be changed between Periodic Reviews (an "**Interim Determination**"). The procedure for Interim Determinations of Price Controls 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 (see below) or a Relevant Change of Circumstance (see below).

Notified Item

A Notified Item is any item formally notified by Ofwat to the Regulated Company as not having been allowed for (in full or in part) in an existing Price Control.

Relevant Change of Circumstances

A Relevant Change of Circumstances ("**Relevant Change of Circumstances**") is defined in the licence of each Regulated Company. Such changes include:

(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);

(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; and

(iii) the amounts assumed in K for the necessary costs of securing or facilitating compliance with a legal requirement or achieving a service standard where the Regulated Company has failed to: (a) carry out the necessary works; (b) spend the amount which it was assumed would be spent; and (c) achieve the stated purpose.

An Interim Determination takes account of the costs, receipts and savings which are reasonably attributable to the Notified Items or the Relevant Changes of Circumstance in question. 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 determining price controls. These costs are then netted off against the receipts and savings to determine the base cash flows for each year (the "**Base Cash Flows**").

The Licence Conditions also specify a materiality threshold which must be reached before any adjustment to price controls can be made. In relation to condition B of certain Regulated Company's appointments this materiality threshold is reached where the sum of the net present values of (i) Base Cash Flows consisting of operating expenditure and/or loss of revenue calculated over 15 years and (ii) other Base Cash Flows calculated over the period to the next periodic review, is equal to at least 10 per cent. of the latest reported turnover attributable to the Regulated Company's water business. An adjustment to one or more price controls (which may be up or down) is then calculated on the basis of a formula, set out in condition B, which is broadly designed to compensate for (i) the operating expenditure and revenue elements of the Base Case Flows up to the next periodic review; and (ii) depreciation and a return on capital for the capital expenditure elements of the Base Cash Flows up to the next periodic review. The change to price controls is then made for the remainder of the period up to the start of the first charging year of the next price control period. The outstanding capital value that has not yet been depreciated falls to be taken into account by Ofwat at the subsequent periodic review.

In PR24, Ofwat set out its intention to introduce a specific in-period adjustment mechanism for critical cost areas where costs were still uncertain. Ofwat has now introduced a new cost change process that allows companies (subject to meeting relevant criteria), to recover costs in the next price control period or (if necessary) may allow additional revenue to be access within the PR24 period. The relevant areas are large scheme gated process, Perfluoroalkyl and Polyfuroalkyl Substances (PFAS), cyber security. Havant Thicket reservoir, major project development costs, asset health and demand growth. Recovery for certain areas would be subject to triviality thresholds, whilst a materiality threshold (lower than the standard interim redetermination materiality threshold will apply) together with other requirements and criteria (such as cost and delivery assurances application requirements, and exclusion of costs that would be avoided by prudent management action). During PR19, Ofwat had similarly introduced a specific Direct Procurement for Customers ("**DPC**") interim determination in relation to DPC schemes (which involve a water company competitively tendering for services in relation to the delivery of certain large infrastructure projects resulting in the appointment of a third-party competitively appointed provider). Ofwat has recently consulted on switching to the use of Specified Infrastructure Project Regulations ("**SIPR**") for these schemes. Under a SIPR arrangement, the infrastructure provider is granted its own bespoke project licence and is directly regulated as a separate utility.

Substantial Effects Clause

SEW, along with certain other Regulated Companies may, under condition B.13.3 of its Licence Conditions (the "**Substantial Effects Clause**"), request an adjustment to one or more price controls if the regulated business suffers a substantial adverse effect which could not have been avoided by prudent management action. Ofwat may also propose to reset price limits if SEW enjoys a substantial favourable effect which is fortuitous and not attributable to prudent management action. For the purpose of this clause the materiality threshold is equal to, but no more than, 20 per cent. of the latest reported turnover attributable to the Regulated Company's water business.

Referrals 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 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.

In January 2026, the Government published the white paper A New Vision for Water which proposes reforms to align water with other regulated sectors by replacing the current third-party redetermination led by the Competition and Markets Authority with a more focused appeals process.

Drinking Water and Environmental Regulation

The water industry is subject to numerous regulatory requirements concerning the protection of the environment and human health and safety, many of which stem from EU law.

The activities of SEW are affected by the requirements of such legislation. Following the UK's withdrawal from the EU and the expiry of the Brexit transition period, a new body of retained EU law was created under the EUWA. The body of retained EU law included certain UK legislation that implements the EU directives relating to water regulation. Retained EU law continues to operate in UK law unless and until references to EU legislation are removed and/or replaced with references to UK legislation and the transfer of powers from EU institutions to UK institutions occurs.

The UK water industry continues to see a high level of public scrutiny by regulators and key stakeholders. Consequently, there have been demands on regulators and the UK Government to take action and/or reform the regulatory regime that applies to the UK water sector. This has resulted in the introduction of new legislation specifically targeting water companies. In addition, further changes to the regulatory framework are under consideration.

Regulatory powers, enforcement and civil claims

Non-compliance with many of the regulatory requirements applicable to water companies may potentially constitute a criminal offence for which criminal and civil penalties may be imposed.

The Sentencing Council issued definitive guidelines on environmental offences on 26 February 2014 and these 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 MPs responsible for the 2021 inquiry into river water quality, has called for their review as part of a 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. This has in turn driven an increased focus on compliance by water companies 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 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. Stakeholder groups have been increasingly calling for greater regulatory enforcement action to be taken, and the EA has responded by pursuing more aggressive enforcement action against water companies, including by way of increased fines for environmental offences and even prison sentences and disqualification orders for directors of water companies. This is against the backdrop of the previous UK Government's commitment to increase water company inspections carried out by the EA to 4,000 a year by the end of March 2025, and to 10,000 by the end of April 2026. A DEFRA press release published in May 2025 stated that the EA has launched 81 criminal investigations into water companies since the Labour Government came into office in July 2024, highlighting the record levels of enforcement action.

The EA can also impose potentially significant financial penalties on companies that pollute the environment without bringing criminal proceedings. Changes to Variable Monetary Penalties ("**VMPs**") came into force on 1 December 2023 by way of statutory instruments amending the Environmental Permitting (England and Wales) Regulations 2016 (as amended) (the "**EP Regulations**") and the Environmental Civil Sanctions (England) Order 2010 (Order) to remove the previous cap on VMPs and to expand the range of offences for which VMPs can be imposed.

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 EA published an updated enforcement and sanctions policy in December 2023 which applies to offences that occur from 11 December 2023 onwards. 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.

In relation to civil claims, in July 2024, the Supreme Court handed down its judgment in *The Manchester Ship Canal Company Ltd (Appellant) v United Utilities Water Ltd (Respondent) No 2* [2024] UKSC 22, finding that the WIA does not prevent the Appellant canal company from bringing a claim in nuisance or trespass when the canal is polluted by discharges of foul water from the outfalls of the Respondent, the relevant water company (United Utilities), even if there has been no negligence or deliberate misconduct on the water company's part. SEW was not involved in these proceedings and it remains to be seen whether this judgment will result in increased numbers of claims against water companies or impact the regulatory system they are subject to.

Water Framework Directive

The Water Framework Directive (Directive 2000/60/EC) ("**WFD**") rationalised 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 WFD was transposed into English law by the Water Environment (Water Framework Directive) (England and Wales) Regulations 2003 which came into force on 2 January 2004. These Regulations have since been amended and replaced, most recently by the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017. Other relevant legislation includes the Water Framework Directive (Standards and Classification) Directions (England and Wales) 2015.

The WFD requires, amongst other things, that Member States produce river basin management plans. These plans were required to be produced by December 2009 and updated by December 2015 and every 6 years thereafter. Updated plans were published on 22 December 2022. The river basin management plans include measures that water companies and other parties need to undertake (within defined timescales) to achieve the objectives of the WFD. 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 produces river basin management plans and updates to such plans are reflected in SEW's WINEP programme. The Ouse and Adur water district catchment is led by Ouse and Adur Rivers Trust (OART), who are working with stakeholders on measures for this specific catchment area. SEW are supporting this evolving process.

The EA is responsible for monitoring and reporting on the objectives of the WFD on behalf of government. The EA works with Ofwat, local government, non- governmental organisations (NGOs) and a wide range of other stakeholders including local businesses, water companies, industry and farmers in order to achieve the objectives of the WFD.

To comply with the WFD, the UK should have ensured that all their waters achieve at least a "good status" by 2015, or, on the grounds that achieving a "good status" is either disproportionately costly or technically unfeasible, set out alternative standards and/or a timetable for the achievement of these by no later than 2027. In 2019, less than 20 per cent. of water bodies achieved the good status. The most recent comprehensive update of classifications in water bodies was conducted in 2025. As at the date of this Prospectus, the results of last year's comprehensive update have not been published and no information has been made available on the expected timings for publication.

In March 2025, the OEP launched an investigation into whether DEFRA and the EA had breached the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017. The investigation was prompted by an OEP report published in May 2024, which assessed how these regulations are being implemented, and found that the UK is not on track to meet its environmental objectives for improvement of water bodies by 2027. In January 2026, OEP confirmed that it had identified possible failures by DEFRA and EA to comply with the Water Environment (Water Framework Directive) Regulations 2017. Both public authorities have been sent information notices setting out the details of the suspected failures by the OEP with a two-month deadline for formal responses. As at the date of this Prospectus, there has been no update from OEP on the status of its investigation.

In addition, in April 2025, the Court of Appeal upheld a ruling that DEFRA and the EA's plans to improve a Yorkshire water body were unlawful. In December 2023, the High Court ruled that DEFRA and the EA breached their legal duties to review, update and put in place specific measures to restore the Costa Beck river near Pickering, in North Yorkshire. The judge found that improvement measures set out in the River Basin Management Plan for the Humber District were "wholly generic". The Court of Appeal upheld the High Court's decision, and held that in order to comply with the WFD and the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017, a programme of measures drawn up under regulations 12-13 of the regulations could not be wholly generic but had to identify a programme or scheme of actions for each individual water body, in order to achieve its environmental objectives.

Industrial Emissions Directive and H4 Odour Management Guidance

The Industrial Emissions Directive (Directive 2010/75/EU) ("**IED**") came into force on 6 January 2011 and was implemented through the environmental permitting regime in England and Wales. Under the environmental permitting regime, recovery or a mix of recovery and disposal of non-hazardous waste with a capacity exceeding 75 tonnes per day (or 100 tonnes per day if the only waste treatment activity is anaerobic digestion) involving one or more specified activities, and excluding activities covered by the Urban Waste Water Treatment (England and Wales) Regulations 1994, are subject to elevated requirements under the IED. In July 2014, the EA deferred the need for water companies to submit permit applications for facilities to allow for further consideration of whether such facilities were already covered by the Urban Waste Water Treatment (England and Wales) Regulations 1994 and therefore exempt. All of the UK regulators, including the EA, subsequently came to the decision that these facilities should be in scope of the IED and therefore require an IED permit if the thresholds are met. The EA subsequently decided to extend the deadline for water companies to apply for IED permits where required.

In addition, the Environmental Permitting Regulations: H4 odour management guidance (the "**H4 guidance**") introduced stringent odour requirements and management plans for existing sites that have Environmental Permits. Under the H4 guidance, operators of sites with Environmental Permits are required to assess the level of odour emanating from their sites based on their frequency, intensity, duration and offensiveness, as well as the sensitivity of receptors. On the basis of such assessment, an operator must implement appropriate control measures to minimise the odour and suggested control measures are set out in the H4 guidance. If the odour levels are unreasonable (despite having used appropriate measures), further action may be required or the operator may be required to cease operations.

Groundwater Directive

The Groundwater Directive (Directive 2006/118/EC) (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. The EP Regulations implement the Groundwater Directive in England and Wales. Activities that could lead to the contamination of groundwater such as direct and indirect discharges of pollutants to groundwater, are regulated under the EP Regulations. The definition of a pollutant includes substances harmful to human health or the quality of aquatic ecosystems. The EP Regulations require a permit for such discharges. Direct discharges, which are those ones which enter, without percolation, straight into groundwater, are controlled under the environmental permitting regime. Any permits granted must be consistent with the requirements of the EP Regulations. The EA has powers under the EP Regulations to issue prohibition notices to stop activities which may cause a direct or indirect discharge of pollutants to groundwater, for example, oil from underground storage tanks.

Bathing Waters Directive

The Bathing Water Regulations 2013 transpose the Bathing Waters Directive (Directive 2006/7/EC) into law in England and Wales. The main objective of this directive is to improve public health protection. The directive sets four standards of water quality (excellent, good, sufficient and poor). Key aspects of the directive include an obligation to meet a much tighter minimum bathing water quality standard, rationalisation of the water quality parameters to be monitored, updated rules for the frequency of sampling and improved provision of information to the public concerning bathing water quality.

Water Quality Directive

The Water Quality Regulations (as amended) implement the EU Directive on the Quality of Water intended for Human Consumption (Directive 98/83/EC) (the "**Drinking Water Directive**") and set standards for water intended for drinking, food preparation or other domestic purposes. Water supplied for domestic purposes or food production must be wholesome at the time of supply. "Wholesomeness" is defined by reference to standards and other requirements set out in 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.

The Water Quality Regulations also include a requirement for wider catchment risk assessments and a Drinking Water Safety Plan ("**DWSP**") approach to be adopted to safeguard the quality of drinking water supplies.

Responsibility for day-to-day regulation of drinking water quality lies with the DWI and responsibility for regulation of environmental impacts lies with the EA.

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. The DWI carries out technical audits of each water undertaker and licensee inputting water into an undertaker's network; this includes an assessment of the quality of water supplied, arrangements for sampling and analysis, and progress made in delivering schemes to improve water quality.

The DWI measure water quality using Compliance Risk Index ("**CRI**") metric, which is used as the outcome delivery incentives by Ofwat. For the 2025 calendar year, SEW obtained a CRI of 2.08. CRI has a deadband built into its measurement. This means that between the target (0) and the deadband level (at the date of this Prospectus, 1.83), SEW does not incur any underperformance payment. Any score above 1.83 triggers an underperformance payment. The final score of 2.08 resulted in an underperformance payment of -£0.16 million.

Where standards are not being met, the Secretary of State is under a duty to take enforcement against the supplier. Court proceedings can be brought by the DWI in the name of the Secretary of State or the Director of Public Prosecutions for the offence of supplying water "unfit for human consumption" (for example if discoloured or foul tasting water is supplied to customers) or for the offence of supplying water that is inadequately treated or disinfected, unless the breach is trivial or unlikely to recur, or the relevant water company has taken immediate remedial action, or has submitted a legally binding programme of work in the form of a Section 19 Undertaking to achieve compliance within an acceptable timescale or agrees to a notice served under Regulation 28(4) of the Water Quality Regulations (the "**Regulation 28(4) Notice**"). If there has been such a breach and a water company does not give a Section 19 Undertaking or fails to comply with its terms, or fails to comply with the terms of a Regulation 28(4) Notice, the DWI may make a provisional or final enforcement order to secure compliance. SEW is currently subject to a Section 19 Undertaking in relation to its AMP8 PFAS Strategy. Per- and poly-fluoroalkyl substances ("**PFAS**") represent a significant area of focus at present – both generally and specifically in relation to the water industry (with an investigation in November 2025 revealing DWI had issued 23 enforcement notices about elevated PFAS levels) – and a risk to drinking water sources. SEW's Section 19 Undertaking requires ongoing assessment, surveillance and management of PFAS hazards, with requirements to design mitigation plans by 31 March 2030 in respect of several supply systems and to conduct enhanced frequency testing to demonstrate the effectiveness of remedial measures taken.

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.

Environmental Permitting Regime

The EP Regulations came into force on 1 January 2017 and consolidated the environmental permitting system in England and Wales previously dealt with under the Environmental Permitting (England and Wales) Regulations 2010. The EP Regulations states that operators require an environmental permit to operate a regulated facility or cause or knowingly permit a water discharge activity or groundwater activity. Under the EP Regulations, it is a criminal offence for a person to operate a regulated facility without, or in contravention of the terms of an, environmental permit and to cause or knowingly permit any poisonous, noxious or polluting matter or trade or sewage effluent to enter controlled waters (including most rivers and other inland and coastal waters) other than in accordance with the terms of an environmental permit. The terms of the environmental permit will depend largely on the type of facility or discharge and when the permit was granted.

Under the EP Regulations, certain lower risk facilities are exempt from the requirement to hold a permit. In April 2025, DEFRA, the EA, and NRW published a joint consultation on proposed reforms to these regulations. The proposals include giving the regulators new powers to: define which types of facilities can be exempt from permitting requirements; set specific conditions for these exempt facilities; and, remove exempt status from facilities if necessary. These new powers would apply only to certain classes of regulated facilities: flood risk activities; waste operations; water discharges; ground water activities; and waste controlling and transporting activities. The consultation closed on 3 June 2025 and DEFRA published its response in October 2025 in which it stated that its intention is to introduce the proposed changes through amendments to the EP Regulations. No further steps have been taken at this stage.

Recent Changes to Regulatory Landscape

On 17 July 2024, it was announced that the new UK Government would introduce a water-related bill in an upcoming parliamentary session. The WSMA received Royal Assent on 24 February 2025. It has entered into force on a piecemeal basis with most provisions now in force. It includes provisions to:

(i) allow Ofwat to make rules regarding the remuneration of individuals in senior roles within water companies and requiring Ofwat to issue rules to prohibit the payment of bonuses where the company does not meet the specified standards set by Ofwat;

(ii) require Ofwat to make rules requiring those in senior roles to meet certain fitness and propriety standards;

(iii) require Ofwat to make rules requiring companies to have arrangements in place to involve consumers in decisions that are likely to have a material impact on consumer matters;

(iv) publish information on pollution incidents;

(v) lower the standard of proof from "beyond reasonable doubt" to "on the balance of probabilities" and enable automatic penalties to be issued by the EA for a defined list of water-related offences. The list of offences will be set out in forthcoming secondary legislation made by the Secretary of State;

(vi) allow the EA and NRW to recover costs from water companies for enforcement activities;

(vii) extend the sentencing powers of the Courts to order up to two years' imprisonment for obstruction of investigations by the EA, NRW or DWI;

(viii) modify licences to recover shortfalls in funding for a special administration from consumers; and

(ix) ensure that Ofwat and the Secretary of State are notified ahead of any winding up petitions.

A number of consultations have been conducted to establish the rules and changes envisaged by the WSMA.

In relation to (i), in March 2025, Ofwat published a consultation seeking views on its proposed PRP Prohibition Rule. The proposed rule would require water companies to prohibit the payment of performance related pay when any of Ofwat's four key standards are not met. These new powers were used with immediate effect on 6 June 2025 against Thames Water, Yorkshire Water, Anglian Water, Wessex Water, United Utilities and Southern Water, as they were not considered to have met the standards imposed by the rules. The four key standards relate to environmental performance, consumer matters, financial resilience, and criminal liability. On 6 June 2025, Ofwat published its decision on the PRP Prohibition Rule as well as the final form of the PRP Prohibition Rule (together with associated guidance) which is now in effect and applies in relation to financial years beginning 1 April 2024 onwards. Where a company has not complied with the PRP Prohibition Rule, Ofwat will be able to issue a direction to require payment of relevant bonuses to be halted or clawed back.

In relation to (ii), on 1 April 2026, Ofwat's final Fitness and Propriety Rule, originally issued on 15 December 2025 and updated on 17 March 2026, came into force. The Rule requires water and/or sewerage undertakers to implement a 'fit and proper' person test to ensure that only individuals who meet the specified standards in the rule are appointed in senior roles from 1 April 2026 and continue as existing persons in senior roles as from 1 April 2027. Under the new rule, water companies must not appoint or have in place any director who cannot reasonably be considered to meet standards on honesty and integrity, knowledge and experience, and financial soundness.

In relation to (iii), on 1 April 2026, Ofwat also issued its final Consumer Involvement in decision making rule and it came into force for the largest water undertakers (including SEW) on the same day. The purpose of the rule is to require an undertaker to have arrangements in place for involving consumers in decisions of the undertaker that are likely to have a material impact on consumer matters. This includes having in place arrangements to appropriately understand the views of consumers, ensuring those views are fed into (and taken into account) in the decision-making process, and seek feedback from consumers so that past decisions are understood, taken into account in other decisions, and inform relevant future planning.

In relation to (iv), the EA published on 8 January 2026 guidance on what information needs to be published. Information must be published annually in plans called Pollution Incident Reduction Plans ("**PIRP**s") and associated implementation reports. The first PIRP was required to be published before 1 April 2026 – with SEW's PIRP available on the SEW website – and the first implementation report must be published before 1 April 2027 (in subsequent years, the PIRPs and reports are to be published together). In the PIRPs, relevant undertakers must: review the measures that are currently in place and resulting pollution incidents attributable to their system over the preceding calendar year; and, explain how they will reduce the occurrence of pollution incidents that are attributable to their system in the next calendar year. In implementation reports, relevant undertakers must assess the extent to which they have succeeded or failed to implement measures designed to reduce the occurrence of those pollution incidents. Failure to publish PIRPs and implementation reports in accordance with the requirements in WSMA is a criminal offence punishable by an unlimited fine.

In relation to (v), DEFRA published a consultation on strengthening penalties for water company offences in October 2025. The consultation sets out proposals for VMPs imposed to the civil standard of proof (with a cap at either £350,000 or £500,000) and automatic penalties, where the EA will be placed under a duty to impose fixed monetary penalties to the civil standard of proof in specific circumstances (with a cap at either £10,000, £15,000 or £20,000). The proposed penalties will add to, rather than replace, the existing enforcement options (including prosecution and unlimited VMPs to the criminal standard of proof). The consultation closed on 3

December 2025. DEFRA has stated that it will use the feedback provided to inform the implementation of the new penalties in secondary legislation. Such legislation has not yet been published.

In relation to (vi), in April 2025, the EA launched a consultation on a proposed cost recovery approach for water company enforcement activities. The consultation, which closed on 26 May 2025, proposed introducing a new levy on certain water discharge activities carried out by water companies. The levy would be payable on a per permit discharge and a volume unit basis, enabling the EA to fully recover the costs of its enforcement activities. On 19 August 2025, the EA published its response to the consultation, concluding that it would proceed with the proposed levy. From 1 April 2025, the EA will seek to recover its full yearly costs through the new levy. However, a 40 per cent. reduction will apply during the transition period for 2025 to 2026. The WSMA has only recently come into force, and with final Ofwat rules and EA guidance also only just entering into force and the implementation of other measures (particularly regarding enforcement) yet to be finalised and taking place against a backdrop of wider reviews of the legislative landscape for the water industry, it is unclear at this stage how it will affect regulation and enforcement in the water sector.

Evolving regulatory landscape

On 19 June 2025, the UK Government published its policy paper, *UK Infrastructure: A 10 Year Strategy*, which articulates a long-term strategy unifying economic infrastructure sectors, including water and wastewater services. The strategy sets out plans to increase investment across sectors, including re-stating the UK Government's commitment to overhaul regulatory systems to ensure they protect consumers and support growth, such as calling on regulators to ensure price control processes are streamlined and simplified, outcomes are sufficiently measurable, and returns are commensurate with risk. Other objectives identified include the need to improve resilience through resilience standards, with plans to fully assess the current resilience standards landscape across various critical infrastructure sectors, including water, before assessing the need for potential standards changes.

Separately, on 23 October 2024, the UK and Welsh Governments announced the appointment of the Commission, chaired by Sir Jon Cunliffe, to carry out a wide-ranging review of the sector, including regulation, strategic management and planning, the performance and resilience of water companies, and consumer protection. The Commission issued its final report on 21 July 2025, recommending "ambitious change" to drive a "fundamental 'reset'" of the water sector, with its 88 recommendations focusing on seven areas:

(i) **Strategic direction for the water system**: The Commission recommended that new national strategies to be brought forward and outlined elements these strategies should include to provide a stronger long-term vision that drives delivery, articulates priorities and trade-offs, and has a cross-sectoral focus. These strategies should replace the statutory Strategic Policy Statements with a new Ministerial Statement of Water Industry Priorities, directing all water industry regulatory and systems planner functions, and should also include a target relating to the stability of the regulatory model.

(ii) **Planning**: The Commission recommended the introduction of systems planners that more effectively integrate planning across the whole water system – at a regional level in England. Water industry planning should be rationalised down from nine plans at present into two core planning frameworks – 'Water Environment' and 'Water Supply'.

(iii) **Legislative framework**: To reduce complexity and increase clarity and focus, the Commission recommended that the water legislative framework is reviewed and amended, with a particular focus on the Water Environment (Water Framework Directive) Regulations 2017 and the Urban Waste Water Treatment (England and Wales) Regulations 1994.

(iv) **Regulator reform**: The Commission recommended the adoption of a stronger and integrated regulatory framework (in both England and Wales). The Commission recommended the establishment of a new, integrated regulator combining the present functions of Ofwat and the DWI with the water functions of the EA and Natural England.

(v) **Regulation reform**:

(a) The Commission recommended that a more 'supervisory approach' is adopted and made other recommendations including the creation of a financial supervision framework, granting new powers to the regulators to set minimum capital levels for companies, improvements to the Price Review methodology (including in respect of capital maintenance allowances and the performance incentives framework) to support maintenance spending and reduce the volatility of returns, strengthened monitoring and enforcement powers to improve environmental outcomes, measures to incentivise water efficiency and thereby reduce pressures on the water supply, improved incentives for companies to raise levels of customer satisfaction where these are currently low, and enhanced support for low-income households and for customers with cause for complaint.

(b) The Commission also recommended that the UK Government should consider giving the CMA responsibility for setting a common methodology for estimating the weighted average cost of capital for all UK regulatory sectors. The Commission also recommended that the nature of the CMA dispute resolution process should be changed for water companies from a full redetermination to a standard appeal procedure in line with other regulated sectors.

(c) The Commission recommended that consideration should be given to converting the Consumer Council for Water into a new mandatory Water Ombudsman, and that its current advocacy functions should be transferred to Citizens Advice.

(d) On environmental regulation, the Commission recommended stronger regulation on abstraction, sludge, drinking water standards and water supply. It recommends compulsory water metering, changes to wholesale tariffs for industrial users and greater water reuse and rainwater harvesting schemes. It also sets out where environmental legislation needs updating and why, including proposals for a new long-term and legally binding target for the water environment.

(vi) **Company structures, ownership, governance and management:** The Commission recommended the provision of enhanced powers to the regulator over ownership models (including powers to allow the economic regulator to block material changes in the control of water companies, and to direct parent companies and ultimate controllers) as well as strengthened governance standards and a new regime to make senior executives directly accountable. Along with reforms to regulators and regulation, it further recommended actions by regulators and government to reduce risks to investing in the water industry and thereby attract long-term investors.

(vii) **Infrastructure and asset health:** The Commission recommended that statutory resilience standards be adopted, that requirements for companies to map their assets should be strengthened, and that oversight be improved through the supervisory approach. It also recommended that legislation and enforcement powers relating to infrastructure security be strengthened, and that infrastructure delivery be supported.

The Commission's report was submitted to the UK Government. In a statement to the House of Commons on the day of the report's publication, the government confirmed it would instantly accept recommendations regarding the new single regulator, the establishment of a new statutory water ombudsman, cessation of Operator Self-Monitoring and the establishment of new regional water system planning authorities.

On 20 January 2026, the UK Government released the white paper A New Vision for Water, responding to the Commission. The white paper A New Vision for Water broadly accepts the recommendations of the Commission's final report. The white paper A New Vision for Water both responds to and builds on the

Independent Water Commission's recommendations, setting out the actions the Government considers necessary to fix the water system. It presents a comprehensive action plan structured around six key reform themes: a new direction for water; resetting regulation; attracting investment; putting customers first; clear action for clean water; and water security.

The white paper A New Vision for Water sets out the Government's intention to set new ambitious targets for the water environment (which will be in addition to the targets already set under the Environmental Improvement Plan) and to introduce a package of measures to improve water performance across the sector. It also outlines (amongst other proposals) plans to introduce a new Performance Improvement Regime for poorly performing companies (including both supportive and punitive measures), the power to take quicker enforcement action against companies in breach of drinking water regulations (including the ability to impose financial penalties), and the development of a new strengthened Open Monitoring approach to improve monitoring of pollution incidents and replace 'operator self-monitoring'.

Central to the white paper A New Vision for Water is the creation of a new, stronger single regulator (bringing together the relevant water system functions of Ofwat, the DWI, the EA and Natural England). The Government has stated that the new regulator will introduce an 'MOT' approach for conducting checks of water company infrastructure, requiring health checks on pipes, pumps and more, and that there will also be 'no notice' inspections of water company infrastructure.

The white paper A New Vision for Water suggests some reforms be taken forward immediately and others form the foundations of a new water bill to be introduced during the current Parliament. The Government has stated that it will also publish a transition plan on the reforms this year, ahead of the introduction of the upcoming water bill. An enhanced regulatory environment could lead to an increase in enforcement activity by the EA and Ofwat (or other relevant regulators) as well as an increase in third party claims. This could mean increased fines and compensation payments, heightened requirements to invest in infrastructure and increased operating costs.

Priority Substances Directive

The Environmental Quality Standards Directive (the "**EQSD**"), referred to as the Priority Substances Directive, entered into force on 13 January 2009 and, as amended, sets out harmonised environmental quality standards for 45 "priority substances". The EQSD specifies environmental quality standards for each substance in terms of an annual average value and also in terms of a maximum allowable concentration in certain waters. 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 (the "**Typology Direction**") and the River Basin Districts Surface Water and Groundwater Classification (Water Framework Directive) (England and Wales) Direction 2009). 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 secure compliance with the environmental quality standards of the EQSD.

The Habitats and Birds Directives

The Conservation of Habitats and Species Regulations 2017 (the "**2017 Regulations**") transposed the provisions of 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**") into English law, to establish a network of areas protected by designation across the United Kingdom to conserve endangered habitats classified as special protection areas under the Birds Directive and Special Areas of Conservation under the Habitats Directive. Once a site is designated, the United Kingdom must take steps to avoid the deterioration of habitats and disturbance of species. The 2017 Regulations were updated by the Habitats and Species (Amendment) (EU Exit) Regulations 2019 after Brexit to provide for the designation and protection of the National Site Network, the protection of certain species and the adaptation of planning and other controls for the protection of the National Site Network.

The designation of areas as part of the National Site Network may negatively impact upon a water 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. Water company sites which contains some designated area agree management plans with Natural England. If a site does not contain a designated area within its grounds, many abstractions have the potential to impact designated sites. Where this is the case, these are covered through WINEP. Moreover, abstraction yield assessments are modified through water resource management plans to continually manage their impact on designated areas.

EU Floods Directive

Directive 2007/60/EC of 23 October 2007 on the assessment and management of flood risks (the "**EU Floods Directive**") 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 EU Floods Directive required Member States to firstly carry out a preliminary flood risk assessment by 22 December 2011, which included considering historical floods and where similar future events might be envisaged. Based on such assessment, Member States were then required to identify each river basin district (or similar) for which potential significant flood risks exist or might be considered likely to exist. For such areas, Member States were then required to draw up flood risk maps by 22 December 2013 and establish flood risk management plans focused on prevention, protection and preparedness by 2015. The EU Floods Directive applies to inland waters as well as all coastal waters across the whole territory of the EU.

The Flood and Water Management Act 2010 ("**FWMA**") implements the EU Floods Directive into UK law. The FWMA makes provision for an extensive regime of flood management, concentrating on prevention and preparation rather than on reaction once a flood occurs. The FWMA 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. As at the date of this Prospectus, no new roadmap has been published in England. The FWMA 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.

Abstraction Licensing

Under the WRA, water abstractions must be carried out in accordance with a licence granted by the EA. It is a criminal offence, punishable by an unlimited fine, to abstract water without a licence or in breach of the conditions of an abstraction licence. Existing abstraction licences may be revoked or varied by a direction from the Secretary of State without compensation being payable.

The Water Act 2014 amended the abstraction licensing system in England and Wales on 14 July 2014 with the aim of ensuring the sustainable use of water.

The Environment Act 2021 amended the Water Resources Act 1991 on 9 January 2022 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: (i) revoke or vary an abstraction licence without a termination date where the change is necessary to protect the environment; and (ii) vary such 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. 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 at any licence application, variation or renewal.

Renewal of time-limited abstraction licences upon their expiry is also not guaranteed. The EA adopts a three-fold test when considering licence renewal upon expiry of time limited licences:

1. abstraction must be sustainable;
2. the abstractor has a reasonable need for the water; and
3. the abstractor will use the water efficiently.

As seen in the UK Government's 25 Year Environment Plan published in January 2018, the UK Government has 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). The UK Government also raised as issues: the potential for licensees to start acting under previously unused licences and their potential impact on the deterioration of water stocks; the fact that the regulatory regime is not flexible enough to cope with increasing demand and pressures from climate change, and the outdated, paper-based nature of the abstraction service.

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. A 12-week consultation commenced by DEFRA in September 2021 on this move closed in December 2021. DEFRA is yet to publish its response to the consultation. In January 2026, the Government published the white paper A New Vision for Water in which it reaffirmed the intention to move abstraction regulation into the EP Regulations. As at the date of this Prospectus, no further proposals for this have been made.

Abstractors can 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.

The Greywell abstraction in SEW's Western region provides water for communities in the Greywell and Swains Hill area. The Environment Agency has refused SEW's application to extend its abstraction licence for Greywell to March 2031. An immediate cessation of abstraction at Greywell would cause a severe and immediate water shortage for thousands of local residents and businesses reliant on that source. The Board of SEW has agreed to lodge a formal appeal to the Planning Inspectorate against this decision. By submitting an appeal, SEW are legally permitted to continue abstracting water from Greywell until the independent appeal process is determined. This ensures that water will continue to be supplied whilst a long-term solution is agreed with the Environment Agency.

Climate Change and sustainability

Water companies are significant energy users and their activities constitute a significant environmental impact. Water companies are subject to the climate change levy. Water companies may incur increased costs in the future due to increased energy 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 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.

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.

The Streamlined Energy and Carbon Reporting Regulations require quoted companies, large UK-incorporated unquoted companies and limited liability partnerships to report in relation to their greenhouse gas emissions, including disclosure of their total UK energy use and actions taken to increase energy efficiency in the UK. Listed and large private companies in the UK are also required to annually make climate-related financial disclosures pursuant to amendments to the FCA's Listing Rules and the UK Companies Act 2006.

The UK Government has endorsed the International Sustainability Standards Board's International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (IFRS S1 and S2) and published UK-endorsed equivalents (UK SRS S1 and S2), which will form the basis of a new sustainability disclosure regime for in-scope companies. Following consultation on draft standards in 2025, the final UK SRS were published in February 2026. The FCA has since consulted on applying these standards to UK-listed companies, with final rules expected to be released in 2026 and application from 2027.

The management of water resources by Regulated Companies is subject to a number of wider sustainability 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. 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.

Contaminated Land

Part 2A of the EPA, together with certain implementing regulations and statutory guidance, establishes a legal regime to address the remediation of contaminated land (including controlled waters). Current and future impacts may be dealt with under other pollution control laws instead (for example, if the contamination arises out of an activity regulated under the EP Regulations). Under Part 2A, the original polluter or any person who is a "knowing permitter" can be required to clean up contamination of land if it is causing, or there is a significant possibility of it causing, significant harm to the environment or to human health or if it is causing, or there is a significant possibility of it causing, significant pollution of controlled waters. The higher threshold of "significant" pollution of controlled waters has been effective since 6 April 2012. If the polluter or a knowing permitter cannot be found, the owner or occupier of the land may be held liable, whether or not it caused the contamination. Civil liability may also arise (under such heads of claim as nuisance or negligence) where contamination migrates into or on to third-party land and/or impacts upon human health, flora or fauna and liability for contamination may also rest with a water company where the contamination emanating from its land arose as a result of the activities of one of its statutory predecessors. In practice, remediation of contaminated land is most likely to be triggered on the cessation of regulated activities or the redevelopment of land.

Hazardous Substances

The Health and Safety at Work Act 1974 and the Control of Substances Hazardous to Health Regulations 2002 as amended set out specific safety standards on storing hazardous substances on operational sites. All chemical installations and pipework must meet specific standards to ensure that the installations are safe and do not present a risk to staff, contractors or visitors, or to the general environment.

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.

Discharge into Controlled Waters

If Regulated Companies want to discharge polluting matter into controlled waters they need to hold an environmental permit. Applications are made under the EP Regulations, as amended (although consents under the WIA may be required for works carried out at reservoirs, wells or boreholes where discharges are made through pipes of a certain size). The EA has the power to grant or refuse permits, to impose conditions in, 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.

The EP Regulations provide for a number of other water pollution offences which include causing or knowingly permitting any poisonous, noxious or polluting matter to enter the above water bodies unless the relevant discharge is made under and in accordance with a regulatory consent (including an environmental permit), and failing to comply with the conditions in an environmental permit. The maximum penalty for these offences is 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.

Water Resources Planning

The Water Act 2003 amended the WIA to provide that water companies are under a duty to further water conservation when they formulate or consider any proposal relating to their functions and has placed water resources management plans on a statutory footing: regulated water companies have a duty to produce Water Resources Management Plans, publish and consult upon them. These plans set out how the water 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 water 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.

Water Industry National Environment Programme ("WINEP")

The WINEP comprises a set of actions that the EA has requested all water companies operating in England to complete during a five year period, in order to contribute towards meeting their environmental obligations. SEW are committed to deliver each of the requirements under the WINEP in line with its specific statutory deadline, which is undertaken as part of the annual review process. SEW will measure its performance by ensuring that all elements of its 2025-2030 WINEP obligations are delivered to agreed scopes and to final statutory deadlines.

Competition in the Water Industry

The Competition Act 1998

Under the Competition Act there are two prohibitions concerning anti-competitive agreements and conduct. The Act also provides for extensive powers of investigation and enforcement.

The Chapter I prohibition prohibits agreements between undertakings which may affect trade within the United Kingdom and which have as their object or effect the prevention, restriction or distortion of competition within the United Kingdom. The Chapter II prohibition prohibits the abuse of a dominant position which may affect trade within the United Kingdom.

Ofwat has concurrent powers with the CMA to apply and enforce the Competition Act to deal with anti-competitive agreements or abuses of dominance relating to the water sector, including the power to enforce directions to bring an infringement to an end and to impose fines of up to 10 per cent. of the most recent financial year's turnover of the group of the Regulated Company involved for infringing the Competition Act. Also, any arrangement which infringes the Competition Act may be void and unenforceable and may give rise to claims for damages from third parties.

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 disqualification for directors involved in breach of competition law. Consumer groups are able to bring actions on behalf of customers (including for damages).

During the course of 2019 and 2020 Ofwat conducted a review of Regulated Companies' support for markets. It found that there was scope for companies to play a more active role in supporting markets, although it observed real differences between companies and within companies. It wrote to individual companies in England setting out areas that required attention.

The Water Supply and Sewerage Licensing Regime

The WIA, as amended by the 2003 Water Act and the 2014 Water Act, contains provisions which create a framework for competition in water supply, under which entrants wishing to use a Regulated Company's networks to transport water to customers (also known as "**common carriage**") or wishing to purchase wholesale water from Regulated Companies to "retail" to business customers or provide sewerage services to business customers are required to obtain a water supply licence ("**Licensees**"). SEW exited the non-household ("**NHH**") retail market in 2018. All of the NHH customers within SEW's supply region are serviced by a different retailer. In the 2025/26 financial year there were 43,817 NHH customers within SEW's supply region.

An extensive regime has been put in place in respect of the areas of Regulated Companies that are wholly or mainly in England. Since 1 April 2017 Licensees have been able to offer retail services to all NHH customers, not just those using in excess of 50 megalitres of water per annum, and for wastewater services as well as water supply.

In addition, the provisions include a requirement on Regulated Companies to charge Licensees for common carriage and wholesale services in accordance with rules that Ofwat is required to produce.

The Water Act 2014 also introduced a range of other measures to facilitate competition. These include a power for Ofwat to compel a water company to supply water in bulk. The Water Act 2014 also made provision for Ofwat to publish codes and rules regarding the terms and conditions of bulk supply or access and the charges that companies can levy. In January 2026, the Government published the white paper A New Vision for Water. This sets out the Government's desire to create more opportunities for investment and competition, including making the regulatory framework for New Appointments and Variations (NAVs) more proportionate.

Merger Regime

A special merger regime operates in relation to the water industry. Subject to a jurisdictional test based on turnover (see below) the CMA has a duty to refer for a second phase investigation mergers or proposed mergers between two or more water enterprises unless it believes that:

(i) the merger arrangements for anticipated mergers are not sufficiently advanced or are unlikely to proceed;

(ii) the merger is not likely to prejudice Ofwat's ability, in carrying out its functions, to make comparisons between water enterprises; or

(iii) the merger is likely to prejudice Ofwat's ability to make comparisons, but the prejudice is outweighed by relevant customer benefits.

The CMA does, however, have powers to accept from the parties involved undertakings in lieu of a second phase investigation where they would remedy, mitigate or prevent the merger's prejudicial effect on Ofwat's ability to make comparisons.

The CMA may only consider referring a merger or proposed merger for second phase investigation where the value of the turnover of the water enterprise being taken over, and the value of the turnover of each of the water enterprises belonging to the person making the takeover, exceeds £10 million.

The CMA has a duty to keep under review and advise the Secretary of State on both the £10 million threshold and the conditions under which the CMA must refer water mergers.

Remedies may be structural (total or partial prohibition of a proposed merger; total or partial divestiture of the acquired water enterprise; divestiture of another water company held by the acquiring company) or behavioural, such as amendments to a Regulated Company's Licence Conditions (for instance regarding the provision of information) 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.

The Secretary of State has announced plans to include water as a mandatory notification regime under the National Security and Investment Act 2021. This means that acquisitions that fall within the scope of the relevant rules (once drafted) would need to be notified for approval to the Investment Security Unit in the Cabinet Office.

CHAPTER 7
SUMMARY OF THE FINANCING AGREEMENTS

Security Trust and Intercreditor Deed

General

The intercreditor arrangements in respect of the SEW Financing Group (the "**Intercreditor Arrangements**") are contained in the STID and the CTA. The Intercreditor Arrangements bind each of the Secured Creditors and each of the Issuer, SEW, SEWH and the Cayman Issuer.

The Secured Creditors include the Senior Debt Providers. Any new Authorised Credit Provider (or in respect of Bondholders, any additional Bond Trustee) will be required to accede to the STID and the CTA.

The purpose of the Intercreditor Arrangements is to regulate, among other things (i) the claims of the Secured Creditors; (ii) the exercise, acceleration 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 a Standstill Period (see "*Standstill*" below); (v) the Entrenched Rights and the Reserved Matters of the Secured Creditors; and (vi) the giving of consents and waivers and the making of modifications to the Finance Documents.

The Intercreditor Arrangements also provide for the ranking in point 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 among the SEW Financing Group (other than claims in respect of the Issuer/SEW Loan Agreements funded through the raising of Senior Debt). Each Secured Creditor (other than the Security Trustee) and each of the Issuer, SEW, SEWH and the Cayman Issuer has given certain undertakings in the STID which serve to maintain the integrity of these arrangements.

Modifications, Consents and Waivers

Subject to Entrenched Rights and Reserved Matters (which will always require the consent of all of the relevant Secured Creditors who are affected) (see "*Entrenched Rights and Reserved Matters*" below), the Security Trustee shall only agree to any modification of or grant any consent or waiver under the Finance Documents or (subject to restrictions during a Standstill Period) take Enforcement Action with the consent of or if so instructed by the Majority Creditors.

Subject to the Entrenched Rights and Reserved Matters (see "*Entrenched Rights and Reserved Matters*" below), the Security Trustee may make modifications to the Finance Documents without the consent of any other Secured Creditor if such modifications are to correct manifest errors or are of a formal, minor or technical nature.

Senior Debt Instructing Group

Both prior to and during any Standstill Period, after acceleration of the Secured Liabilities and upon any enforcement of the Security prior to repayment in full of the Senior Debt, only the Senior DIG Representatives voting in respect of the Outstanding Principal Amount of Qualifying Senior Debt that they represent will be eligible to exercise the rights of the Majority Creditors. Decisions of the Majority Creditors will bind all of the Secured Creditors in all circumstances, save for certain Entrenched Rights and Reserved Matters (see "*Entrenched Rights and Reserved Matters*" below).

The Senior DIG Representatives, which are together entitled to vote on certain proposals as part of the "**Senior Debt Instructing Group**" or the "**Senior DIG**", are comprised of the following representatives (each, a "**Senior DIG Representative**"):

(a) in respect of the Initial Wrapped Bonds issued on the Initial Issue Date (if no FG Event of Default has occurred and is continuing), the Initial Financial Guarantor;

(b) in respect of the Initial Wrapped Bonds issued on the Initial Issue Date (after an FG Event of Default has occurred and is continuing) and each Sub-Tranche of Unwrapped Bonds, the Bond Trustee;

(c) in respect of the Wrapped Bonds issued on an Issue Date (if no FG Event of Default has occurred and is continuing), the relevant Financial Guarantor;

(d) in respect of the Wrapped Bonds issued on an Issue Date (after an FG Event of Default has occurred and is continuing) and each Sub-Tranche of Unwrapped Bonds, the Bond Trustee;

(e) in respect of each Finance Lease, the relevant Finance Lessor; and

(f) in respect of the aggregate of any unpaid amounts owing to a Financial Guarantor under each G&R Deed to reimburse it for any amount paid by it under a Financial Guarantee in respect of unpaid principal on such Wrapped Debt, the relevant Financial Guarantor.

Other Secured Creditors of Senior Debt that have acceded or will accede to the STID and the CTA after the Initial Issue Date may appoint their own representative to act as their Senior DIG Representative.

Each Senior DIG Representative will be required to provide an indemnity to the Security Trustee each time it votes as part of the Senior DIG irrespective of whether it is a Majority Creditor.

Decisions of the Majority Creditors will be determined by votes on a "pound for pound" basis (based on the Outstanding Principal Amount of the Qualifying Senior Debt voted by the Senior DIG Representatives).

The Liquidity Facility Providers do not form part of the Senior DIG.

Voting by the Bond Trustee as Senior DIG Representative of the Bondholders

Where the Bond Trustee acts as the Senior DIG Representative of some or all of the Wrapped Bondholders (following the occurrence of an FG Event of Default which is continuing in respect of the relevant Financial Guarantor of those Wrapped Bonds) and/or the Unwrapped Bondholders, the Bond Trustee may, both prior to a Default Situation and/or whilst a Default Situation is continuing, in its absolute discretion, vote on a STID Proposal or a DIG Proposal (without reference to any Bondholders) in respect of the aggregate Outstanding Principal Amount of some or all of such Sub-Tranches of Bonds, but shall not, prior to a Default Situation, be entitled to convene a meeting of any Series, Tranche or Sub-Tranche of Bondholders to seek directions (except in respect of an Entrenched Right or Reserved Matter of such Series, Tranche or Sub-Tranche of Bondholders).

Standstill

The STID provides for an automatic standstill of the claims of the Secured Creditors against SEW and the Issuer (the "**Standstill**") immediately following notification to the Security Trustee of an Event of Default (other than an Event of Default under any Hedging Agreement with respect to a Hedge Counterparty under such Hedging Agreement) and for so long as any Senior Debt is outstanding.

The Standstill is designed to reduce or postpone the likelihood of a Special Administration Order being made against SEW.

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 Issuer or SEW;

(b) the Security granted by SEWH may be enforced at any time by the Security Trustee at the direction of the Majority Creditors;

(c) save as provided in sub-paragraphs (a) and (b) above, no Enforcement Action may be taken by any Secured Creditor; and

(d) any monies received by SEW or the Issuer will be applied in accordance with the cash management provisions contained in the CTA (see "*Cash Management*" below) and in accordance with the Payment Priorities (see "*Cash Management — Debt Service Payment Accounts*" below).

The period of the Standstill in respect of any Event of Default relating to SEW and/or the Issuer (the "**Standstill Period**") will be 18 months unless the Standstill Period is automatically extended beyond 18 months (see "*Standstill Extension*" below) or any of the following occur prior to the expiry of the relevant Standstill Period:

(a) an order is made for the Special Administration of SEW or any steps are taken to commence insolvency proceedings against the Issuer or SEW other than proceedings that are commenced by the Security Trustee;

(b) (during the first 18 months of the Standstill Period) Senior DIG Representatives in respect of 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Senior Debt vote to terminate the Standstill Period (see "*Standstill Extension*" below); or

(c) the waiver or remedy of the relevant Event of Default giving rise to the Standstill Period.

The occurrence of a Standstill will not of itself prevent the Issuer drawing under a DSR Liquidity Facility to which it is a party.

Upon termination of a Standstill Period (except by virtue of the matters referred to in (c) above), 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

The Standstill Period shall automatically be extended beyond 18 months:

(a) for a further 120 days unless Senior DIG Representatives in respect of 50 per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Senior Debt vote at any time prior to the commencement of or during such further 120 day period to terminate the Standstill Period;

(b) following the period referred to in sub-paragraph (a), for a further 60 days unless Senior DIG Representatives in respect of 33⅓ per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Senior Debt vote at any time prior to the commencement of or during such further 60 day period to terminate the Standstill Period; and

(c) following the period referred to in sub-paragraph (b), for successive periods each of 60 days unless Senior DIG Representatives in respect of 10 per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Senior Debt vote at any time prior to the commencement of or during each such further 60 day period to terminate the Standstill Period and a vote shall be taken of the relevant Senior DIG Representatives 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.

The Bond Trustee shall not form part of the Senior DIG in respect of any vote to terminate the Standstill Period, unless directed or requested to vote in such manner (i) by an Extraordinary Resolution of the relevant Sub-Tranche of Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in respect of the relevant Financial Guarantor of such Sub-Tranche of Wrapped Bonds) or Unwrapped Bonds or (ii) in writing by Bondholders holding not less than 25 per cent. of the Outstanding Principal Amount of the relevant Sub-Tranche of Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in respect of the relevant Financial Guarantor of such Sub-Tranche of Wrapped Bonds) or Unwrapped Bonds.

The Standstill Period in respect of any Event of Default will terminate upon the date of the waiver or remedy of the relevant Event of Default giving rise to the Standstill Period.

Enforcement

Following an Event of Default and for so long as it is continuing, the Majority Creditors may direct the Security Trustee to enforce the Security created by SEWH; following the termination of a Standstill Period (except under (c) of "*Standstill*" above), the Majority Creditors may direct the Security Trustee to enforce the Security created by SEW and the Issuer.

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 "*Debt Service Payment Accounts*" below).

Excluded Accounts

Although pursuant to the Security Agreement the Issuer and the Cayman Issuer (as applicable) have created first fixed charges over the Excluded Accounts in favour of the Security Trustee, the Security Documents provide that on and following an Acceleration of Liabilities (other than a Permitted Lease Termination, Permitted Hedge Termination or Permitted Share Pledge Acceleration), all monies held in the Cayman Issuer's O&M Reserve Account and the First Loss Account will be held by the Security Trustee on trust for the relevant 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 to fund the Cayman Issuer's O&M Reserve Account or, as the case may be, the First Loss Account and in the proportions that their respective drawn amounts under the relevant O&M Reserve Facility Agreement or, as the case may be, DSR Liquidity Facility Agreement bear to the balance on the O&M Reserve Account or, as the case may be, the First Loss Account.

Accession of Additional Secured Creditors

The STID requires that, to the extent that SEW and/or the Issuer wishes any Authorised Credit Provider (or, in respect of Bonds, its Secured Creditor Representative) or other person to obtain the benefit of the Security, such Authorised Credit Provider or other person (other than Bondholders) must 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.

Entrenched Rights and Reserved Matters

Modifications, consents and waivers will be agreed by the Security Trustee, in accordance with votes of the Majority Creditors, subject to Entrenched Rights and Reserved Matters. Such modifications, consents and waivers will be binding on all of the Secured Creditors, subject to Entrenched Rights and Reserved Matters. No Entrenched Right or Reserved Matter will operate to override the provisions contained in the CTA which allow SEW (following a Periodic Review or as a result of 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 each Financial Guarantor and the Security Trustee (acting on the instructions of the Majority Creditors) agree and the relevant ratings set out in definition of Rating Requirement (in relation to the Bonds) have been affirmed by all Rating Agencies then rating the Bonds.

Lists of Entrenched Rights and Reserved Matters are contained in "*Entrenched Rights*" and "*Reserved Matters*", below.

Entrenched Rights

Entrenched Rights are rights that cannot be modified or waived in accordance with the STID without the consent of the Secured Creditor having the Entrenched Right.

The Entrenched Rights of the Senior Debt Providers will include any proposed modification to, or consent or waiver under or in respect of the STID or any other Finance Document which:

(a) the relevant Senior Debt Provider (or, where applicable, its Secured Creditor Representative) has demonstrated to the satisfaction of the Security Trustee would increase or adversely modify its obligations or liabilities under or in connection with the STID or any other Finance Document;

(b) (i) would release any of the Security (unless 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 (ii) would alter the rights of priority of, or the enforcement by, the relevant Senior Debt Provider (or, where applicable, its Secured Creditor Representative) under the Security Documents other than as expressly contemplated therein;

(c) would change or would relate to the Payment Priorities;

(d) would change or would relate to the Entrenched Rights or the Reserved Matters or, where applicable, the relevant Senior Debt Provider's Entrenched Rights or Reserved Matters;

(e) would change or would relate to (i) the definitions of "Senior DIG", "Senior DIG Representatives", "DIG Proposal", "DIG Directions Request", "Majority Creditors", "Restricted Payment", "Restricted Payment Condition", "Qualifying Senior Debt", or "Voted Qualifying Senior Debt", (ii) 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 or (iii) the percentages of aggregate Outstanding Principal Amount of Qualifying Senior Debt required to terminate a Standstill;

(f) would delay the date fixed for payment of principal, interest or Make-Whole Amount in respect of the relevant Senior Debt Provider's Senior Debt or of any fees or premia in respect thereof or would reduce the amount of principal, interest or Make-Whole Amount payable in respect of such Senior Debt or the amount of any fees or premia in respect thereof;

(g) would bring forward the date fixed for payment of principal, interest or Make-Whole Amount in respect of Senior Debt or any fees or premia in respect thereof or would increase the amount of principal, interest or Make-Whole Amount payable on any date in respect of Senior Debt or any fees or premia in respect thereof;

(h) would result in the exchange of the relevant Senior Debt Provider's Senior Debt for, or the conversion of such Senior Debt into, shares, bonds or other obligations of any other person;

(i) would change or would relate to the currency of payment due under the relevant Senior Debt Provider's Senior Debt (other than due to the United Kingdom joining the Euro);

(j) (subject to (k) below) would change any Event of Default or any Trigger Event relating to financial ratios or credit rating downgrade;

(k) would relate to the waiver of the non-payment Event of Default in respect of any Obligor, the Cayman Issuer, or Events of Default or Trigger Events relating to non-payment, credit rating downgrade or financial ratios or the making of Restricted Payments (see "*Common Terms Agreement*" under "*Trigger Events*" and "*Events of Default*" below);

(l) would change or would relate to the rights of the relevant Senior Debt Provider to receive any sums owing to it for its own account in respect of premia, fees, costs, charges, liabilities, Taxes, damages, proceedings, claims and demands in relation to any Finance Document to which it is a party (excluding, for the avoidance of doubt, the principal, interest or Make-Whole Amount payable to the relevant Senior Debt Provider); or

(m) would change or would relate to any existing obligation of an Obligor, and the Cayman Issuer, to gross up any payment in respect of the relevant Senior Debt Provider's Senior Debt in the event of the imposition of withholding taxes.

The Bond Trustee, the Security Trustee, the Finance Lessors and the Financial Guarantors have certain other limited Entrenched Rights in relation to any provisions of the Finance 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 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 each Secured Creditor reserves to itself to decide are each and every right, power, authority and discretion of, or exercisable by, each such Secured Creditor 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 to which it is a party (as permitted under 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 to which it is a party (as permitted under the CTA);

(c) to exercise the rights vested in it or permitted to be exercised by it under and pursuant to the CTA and the STID;

(d) to receive notices, certificates, communications or other documents or information under the Finance Documents or otherwise;

(e) to assign its rights or transfer any of its rights and obligations under any Authorised Credit Facility subject always to the requirement of the assignee or transferee to accede to the CTA and the STID as a Secured Creditor; and

(f) in the case of any Secured Creditor, to accelerate their claims, to the extent necessary to apply proceeds of enforcement of the Share Pledge provided by SEWH pursuant to the terms of the Security Documents.

The Bond Trustee, the Security Trustee, the Finance Lessors and the Financial Guarantors each have certain additional Reserved Matters which each has reserved to itself to decide. For the Bond Trustee and each Financial Guarantor, these include rights vested in it pursuant to the terms of the Bond Trust Deed and the Financial Guarantee. For the Security Trustee, these include rights vested in it pursuant to the terms of the STID.

Each Financial Guarantor of Wrapped Debt (other than Wrapped Bonds) has matters reserved to it in respect of the determination of interest, interest amounts and repayment amounts, the selection of an indexation adviser, approval of substitute index figure, variation, termination and appointment of Agents under the Authorised

Credit Facility under which such Wrapped Debt is incurred by SEW or the Issuer in addition to any amendment to Part C (Financial Guarantor Reserved Matters) of Schedule 3 to the STID.

Substitution of the Issuer

The Security Trustee shall implement any STID Proposal proposing the substitution in place of the Issuer, or any substituted Issuer, as the principal debtor under the Finance Documents of any other company incorporated in any other jurisdiction meeting the criteria for such a single purpose company established from time to time by the Rating Agencies. The implementation of any such proposal is an Entrenched Right of the Bond Trustee and each Financial Guarantor.

Intercompany Loan Arrangements

Issuer/SEW Loan Agreements

All Financial Indebtedness raised by the Issuer from time to time (whether through the issue of Bonds or raising of debt under Authorised Credit Facilities (other than DSR Liquidity Facilities)) will be backed by an aggregate nominal amount of debt owed by SEW to the Issuer under a loan agreement (each an "**Issuer/SEW Loan Agreement**").

The proceeds of all Financial Indebtedness raised by the Issuer through the issue of Bonds or raising of debt under any Authorised Credit Facility (other than the DSR Liquidity Facilities and amounts necessary to fund the First Loss Accounts) will be lent to SEW under further Issuer/SEW Loan Agreements.

All advances to be made by the Issuer under the Issuer/SEW Loan Agreements will be in Sterling and in amounts and at rates of interest set out in the relevant Final Terms or Authorised Credit Facility or, if hedged by the Issuer in accordance with the Hedging Policy (see "*Hedging*" below), at the hedged rate plus, in each case, a small margin and will have interest payment dates and repayment dates on the same dates as the related Bonds or advance under the relevant Authorised Credit Facility.

The obligations of SEW under each Issuer/SEW Loan Agreement will be secured pursuant to the Security Agreement, and such obligations will be guaranteed by SEWH in favour of the Security Trustee, who will hold the benefit of such security on trust for the Secured Creditors (including the Issuer) on the terms of the STID.

The 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 SEW under each Issuer/SEW Loan Agreement or, if it has hedged its exposure to such payments under a Hedging Agreement, from payments received by the Issuer under such Hedging Agreement. The characteristics of each Issuer/SEW Loan Agreement, as well as the guarantee by SEWH and the Restricted Chargors, are such as to demonstrate capacity to produce funds to service any payments due and payable on the Bonds.

SEW agrees to make payments free and clear of any withholding on account of tax unless it is required by law to do so – in such circumstances SEW will gross-up such payments.

In the CTA, SEW makes certain representations and warranties (as more fully set out under "*Common Terms Agreement – Representations*" below) to each Finance Party.

Each Issuer/SEW Loan Agreement will be governed by English law.

Fees Generally

The Issuer is responsible for paying the fees and expenses of the Bond Trustee, the Security Trustee, the Paying Agents, the Registrar, the Transfer Agents, the Agent Bank, the Issuer's legal advisers, accountants and independent auditors, and certain fees due to liquidity providers.

In respect of the period after the Issue Date, SEW has and will, by way of facility fees under the Issuer/SEW Loan Agreements, pay to the Issuer amounts equal to the amounts required by the Issuer to pay its ongoing fees, expenses and any and all sums due to the Financial Guarantor under the Finance Documents.

Common Terms Agreement

General

Each of the Finance Lessors, the Security Trustee, the Cash Manager, the Standstill Cash Manager, the Liquidity Facility Providers, the Authorised Credit Facility Providers, each Obligor, the Cayman Issuer, the Bond Trustee, the Initial Financial Guarantor, the Principal Paying Agent, the Transfer Agent, the Registrar and others have entered into a common terms agreement (the "**Common Terms Agreement**" or "**CTA**") either on the Initial Issue Date or subsequently by way of accession. The CTA sets out the representations, covenants (positive, negative and financial), Trigger Events and Events of Default which apply to each 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 Agreement 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 indemnities, covenants to pay, covenants relating to remuneration, costs and expenses, representations and covenants in each Tranche or Sub-Tranche of Bonds certain provisions under the Finance Leases and, if applicable, any Hedging Agreements). The CTA further provides that no representation, covenant, Trigger Event or Event of Default will be breached or triggered as a result of the Permitted Post Closing Events (including, but not limited to, certain transaction fees not paid on the Issue Date (if applicable) and any other payments as may be agreed by SEW and the Security Trustee in writing).

The CTA allows SEW (following a Periodic Review 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 each Financial Guarantor and the Security Trustee (acting on the instructions of the Majority Creditors) agree and the relevant ratings set out in the definition of Rating Requirement (in relation to the Bonds) have been affirmed by all Rating Agencies then rating the Bonds.

The CTA also sets out the cash management arrangements which apply to the SEW Financing Group (see "*Cash Management*" 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 included in the CTA is set out below.

Representations

On the Initial Issue Date (and in respect of certain representations, on each Issue Date and each date on which any Financial Guarantee or any other new Authorised Credit Facility is issued or entered into under the Programme and only in relation to such Bonds, Financial Guarantee or Authorised Credit Facility (as applicable), and in respect of certain representations, on each Payment Date, each date of a request for a borrowing, the first date of each borrowing and each date for payment of a Restricted Payment), each Obligor, and the Cayman Issuer, has made, or will be deemed to have repeated, a number of representations in respect of itself to each Finance Party. These representations will be subject, in some cases, to agreed exceptions and to qualifications as to materiality and reservations of law, and will include representations as to:

(a) its corporate status, power and authority;

(b) non-conflict with documents binding on it, constitutional documents or laws;

(c) no change in its business, assets, or financial condition which would have or would be reasonably likely to have a Material Adverse Effect except for any announcement of K from time to time;

(d) no Default or Potential Trigger Event being outstanding or will result from entry into and performance under the Transaction Documents;

(e) other than in respect of the Debenture Stock, it obtaining all necessary consents and approvals;

(f) 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;

(g) maintaining all necessary insurances;

(h) there being no insolvency event in relation to it;

(i) the conduct of its business not violating any judgment, law or regulation which if enforced would have a Material Adverse Effect;

(j) the due payment of all taxes save to the extent any tax payment is being disputed in good faith;

(k) under the laws of its jurisdictions of incorporation and tax residence in force on the Initial Issue Date, it not (other than as disclosed) being required to make any deduction or withholding from any payment of interest under the Finance Documents where no United Kingdom withholding tax would be imposed on the payment;

(l) other than in relation to the Debenture Stock, the claims of the Secured Creditors ranking prior to the claims of its other unsecured and unsubordinated creditors, save those whose claims are performed solely by any bankruptcy, insolvency, liquidation or other similar laws of agreed application;

(m) no Security Interest having been created or existing other than Permitted Security Interests and no indebtedness incurred other than Permitted Financial Indebtedness and Permitted Volume Trading Arrangements;

(n) save as otherwise disclosed herein, no litigation proceedings current, pending or threatened which would, if adversely determined, be reasonably likely to have a material adverse effect;

(o) compliance with environmental laws;

(p) subject to certain exceptions, all arrangements or contracts with any person being on an arm's length basis;

(q) in the case of SEW, it having the necessary Intellectual Property Rights to carry on its business;

(r) in the case of SEW, it being unaware of any Special Administration Order having been made in respect of it; and

(s) in the case of SEW, assumptions used in respect of financial ratio calculations having been made in good faith, after careful consideration and consistent with Applicable Accounting Principles and Good Industry Practice.

Additionally, each of SEWH and the Issuer will represent that its activities have been limited prior to the Issue Date to support their bankruptcy remote status.

Covenants

The CTA contains certain positive, negative and financial covenants from each of the Obligors and the Cayman Issuer. A summary of the covenants which are (amongst others) 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 below in "*Information Covenants*", "*General Covenants*" and "*Financial Covenants*".

Information Covenants

(i) SEW has undertaken to provide, from time to time, certain information including:

- (a) information, which would reasonably be expected to be material to an Authorised Credit Provider, which it supplies to Ofwat;
- (b) details of material changes to the Instrument of Appointment;
- (c) details of any enquiries, investigations or proceedings;
- (d) any notice from any governmental authority or industry regulator;
- (e) an annual Investors' Report;
- (f) certain other material information about the business and financial condition of each of the Obligors and the Cayman Issuer, as may be requested or required to be delivered from time to time;
- (g) information regarding a SEWH Change of Control;
- (h) information in relation to any announcement of K;
- (i) details of any event which could give rise to an insurance claim in excess of £1,500,000 (indexed); and
- (j) details of any event which would be reasonably likely to have a Material Adverse Effect and, where relevant, the Periodic Information relating to it (including SEW's annual charges scheme, a summary of SEW's strategic business plan at each Periodic Review, SEW's current Procurement Plan (if any), SEW's annual environmental report and SEW's annual conservation and access report);

(ii) Each Obligor and the Cayman Issuer has undertaken to provide, within certain agreed timeframes, certain information including:

- (a) its audited consolidated financial statements and (in respect of SEW only) its unaudited consolidated interim financial statements;
- (b) copies of all material documents despatched by it to its shareholders;
- (c) details of any litigation or other proceedings which are current, threatened or pending;
- (d) details of any Obligor or the Cayman Issuer placed on credit watch with negative implications and any non-compliance with any law or regulation or the occurrence of an emergency; and
- (e) notification of any Default or Potential Trigger Event.

(iii) Each of SEW and the Issuer has undertaken, among other things:

- (a) to supply a compliance certificate to be accompanied by computations made in respect of such historical and forward-looking financial ratios as required by the CTA;

(b) to permit the Security Trustee to investigate the calculations contained in any compliance certificate; and

(c) to deliver a certificate certifying that no Default or Potential Trigger Event is outstanding or if a Default or Potential Trigger Event is outstanding of which it is aware, specifying the Default or Potential Trigger Event and the steps (if any) taken or proposed to be taken to remedy such event.

General Covenants

(i) Each Obligor and the Cayman Issuer has undertaken, among other things:

(a) to maintain its corporate status;

(b) to ensure that the secured claims of Secured Creditors against it under the Finance Documents rank prior to the claims of all its other unsecured and unsubordinated creditors (other than in relation to the Debenture Stock and subject to the Reservations);

(c) 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 SEW, the Instrument of Appointment, the WIA and Good Industry Practice (taking its Business as a whole);

(d) to comply with the Transaction Documents to which it is a party;

(e) to ensure that the corporate ownership structure of the SEW Financing Group (other than the ownership or Control of SEWH) remains as at the date of the CTA;

(f) not to incur any Financial Indebtedness other than Permitted Financial Indebtedness or, in the case of SEW, Permitted Volume Trading Arrangements;

(g) not to acquire or invest, other than Permitted Acquisitions and Authorised Investments;

(h) not to be a creditor or permit any Subsidiary or Joint Venture acquired pursuant to a Permitted Acquisition to be a creditor in respect of any Financial Indebtedness or issue any guarantee or indemnity in respect of the obligations of any other person;

(i) not to change its constitutional documents without the prior written consent of the Security Trustee;

(j) not to enter into any Treasury Transaction other than Hedging Agreements entered into in accordance with the Hedging Policy and SEW Derivative Transactions entered into by SEW in accordance with the SEW Derivative Policy;

(k) except for a Permitted Tax Loss Transaction or a Further Permitted Tax Loss Transaction, not to enter, without the consent of the Security Trustee and the Financial Guarantor, into any arrangements with any person (other than a taxation authority in respect of the taxation liabilities of such Obligor and the Cayman Issuer or any other Obligor or pursuant to the Finance Documents) relating to Tax;

(l) not to compromise or settle any claim, litigation or arbitration without prior notification to the Security Trustee;

(m) (A) to obtain, maintain and comply with all applicable laws, regulations and orders and obtain and maintain all governmental and regulatory consents, licences, authorisations and approvals (including the Instrument of Appointment) necessary for the conduct of its business as a whole in accordance with Good Industry Practice and (B) to do nothing which would lead to the termination, suspension or revocation of any such consents, licences, authorisations and approvals;

(n) to pay all Taxes for which an Obligor and the Cayman Issuer is primarily liable;

(o) not to create or allow to exist any Security Interest on any of its present or future revenues or assets other than Permitted Security Interests, nor 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 Finance Documents, nor create or permit to exist any further Security Interest over all or any of its present and future revenues, equipment or assets as security for any Permitted Financial Indebtedness other than in favour of the Security Trustee to be held upon the terms of the STID;

(p) not to (A) (i) dispose of any of its assets other than Permitted Disposals or pursuant to arrangements where such assets are leased to and re-acquired by a member of the SEW Financing Group pursuant to a Finance Lease; and/or (ii) purchase any asset on terms providing for (or likely to have the substantive effect of) a retention of title or a conditional sale, in circumstances where the primary purpose is raising Financial Indebtedness or financing the acquisition of an asset; nor (B) enter into any such transaction in (A) above where the primary purpose is not raising finance to the extent that the consideration in respect of such transaction is not received in cash in full at the time and exceeds £1 million (indexed) in aggregate at any time;

(q) not to dispose of the Equipment or its undertaking, revenues, business or assets other than a Permitted Disposal or to create a Permitted Security Interest;

(r) not to change its tax residence from the United Kingdom;

(s) other than as a result of a Permitted Emergency Action, not to enter into any arrangement or contract with any person otherwise than on an arm's length basis;

(t) not to amend, vary, supplement or agree to any variation or waiver, to the extent such variation or waiver would have a Material Adverse Effect, of any provision of the Debenture Stock without the prior written consent of the Security Trustee;

(u) not to amend, vary, supplement or agree to any variation or waiver of any Finance Documents other than in accordance with the terms thereof;

(v) to ensure that the aggregate nominal outstanding Financial Indebtedness of the SEW Financing Group which falls due for scheduled final repayment within the then current period of 24 consecutive months shall not exceed 20 per cent. of RCV for the time being; and

(w) to ensure that the aggregate nominal outstanding Financial Indebtedness of the SEW Financing Group that has a scheduled final repayment within the period from one Periodic Review to the next Periodic Review shall not exceed 40 per cent. of RCV for the time being (adjusted and increased proportionally to the extent that the period from one Periodic Review to the next Periodic Review is greater than 5 years).

(ii) Additionally, SEWH has undertaken, amongst other things:

(a) not to carry on or transact any business or other activity other than (A) ownership of the shares in members of the SEW Financing Group; (B) the giving of the guarantee in accordance with the Finance Documents; and (C) performance of obligations required or exercise of any rights under the Finance Documents; and

(b) not to make any Restricted Payments otherwise than in accordance with the Finance Documents and out of monies received by it, directly or indirectly, from SEW which have been properly paid by SEW as a Distribution or as set out under the CTA.

(iii) SEW has further undertaken 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).

(iv) Additionally, SEW has undertaken, among other things:

(a) to ensure that the nature of its business is limited to the Business;

(b) to conduct its Appointed Business in the name of SEW only and to ensure its business separation from the Group or any Associate is maintained;

(c) not to permit, agree to or recommend any suspension or the abandonment of all or a material part of the operation of its Appointed Business;

(d) if it exceeds the Permitted Non-Appointed Business Limits, to dispose of or reduce all or part of its Permitted Non-Appointed Business within six months so that the Permitted Non-Appointed Business Limits are complied with on the next Calculation Date;

(e) to comply in all material respects with the Instrument of Appointment;

(f) not to agree to any amendment or variation of the Instrument of Appointment;

(g) to comply with applicable 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 of any Environmental Claims;

(h) to effect and maintain those insurances in connection with its Business as are required under the CTA;

(i) to procure that any Outsourcing Agreement or Capex Contract entered into on and from the Initial Issue Date (except the MFC Contract) complies with the Public Procurement Rules (if such Outsourcing Agreement or Capex Contract would be an agreement to which the Public Procurement Rules would apply) and the Outsourcing Policy;

(j) to ensure it has adequate financial and management resources to enable it to discharge its core obligations under the Instrument of Appointment and under the Transaction Documents;

(k) (A) following receipt of notice of termination of the Instrument of Appointment, use its reasonable endeavours to ensure that (i) a Transfer Scheme is agreed between SEW, the transferee and Ofwat by a date not less than two years prior to the expiration of such notice; (ii) any such Transfer Scheme will not be prejudicial to the Secured Creditors; and (iii) ensure that the Security Trustee is joined in the consultation process with Ofwat if SEW becomes subject to any Transfer Scheme; and (B) not to agree to any Transfer Scheme without the consent of the Security Trustee and each Financial Guarantor (subject to the WIA);

(l) as soon as reasonably practicable, to apply to Ofwat for an IDOK when permitted under the Instrument of Appointment where it would be prudent to do so;

(m) 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 SEW to meet its operational, investment and financial obligations under the Instrument of Appointment and its obligations in respect of Financial Indebtedness.

(v) Additionally, each Obligor and the Cayman Issuer (other than SEWH in respect of paragraph (a)) has undertaken, among other things:

(a) to each use its reasonable endeavours to ensure that it maintains a shadow rating in respect of the Wrapped Debt and a credit rating in respect of the Unwrapped Debt by each of the Rating Agencies as the Security Trustee and SEW shall agree, in each case, of Investment Grade;

(b) only to:

(A) implement Deferrals of K at a time when 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, pay any Distribution or make any payment under the Subordinated Debt if:

(i) in the case of Distributions, the payment is made after a board meeting has been held approving such Distribution or dividend;

(ii) the amount of the Distribution and/or payment under the Subordinated Debt that may be paid is limited to an amount equal to the Proposed Payment Amount (as defined below);

(iii) on the date of such payment:

(a) no drawings are outstanding under the Liquidity Facilities, other than Standby Drawings;

(b) the RAR, as certified by the Issuer and SEW in the Compliance Certificate most recently delivered to the Security Trustee and each Rating Agency, is less than or equal to 0.85:1 for each Test Period (after deducting an amount equal to the aggregate of any proposed Deferral of K, proposed Distribution and proposed payment on the Subordinated Debt (the "**Proposed Payment Amount**") from available cash);

(c) no Default subsists or might reasonably be expected to result from the payment and those representations required to be repeated on each payment date are, and will following such payment remain, correct;

(d) (A) the shadow rating in respect of the Wrapped Debt and the credit rating in respect of the Unwrapped Debt ascribed by each of the Rating Agencies is at least Investment Grade, and (B) SEW has not been placed on credit watch with negative implications, and (C) it is not reasonably likely that such shadow rating or credit rating will fall below Investment Grade; and

(e) no competition appeal of Ofwat determining K is being pursued;

(c) to ensure that there are installed and maintained satisfactory accounting, management information, financial modelling and cost control systems;

(d) to inform the Security Trustee of any change to the Auditors, as soon as reasonably practicable;

(e) to only replace the Auditors without the prior written approval of the Security Trustee if the replacement Auditors are a firm of independent public accountants of international standing; and

(f) not to change its financial year end without the prior written consent of the Security Trustee.

(vi) Additionally, the Issuer has undertaken, among other things:

(a) to restrict its business to certain matters in accordance with the Finance Documents;

(b) to enter into any Hedging Agreements in accordance with the Hedging Policy;

(c) to use all reasonable endeavours to procure and maintain the admission of all listed Bonds for trading on the London Stock Exchange;

(d) to procure that the Principal Paying Agent notifies the Bond Trustee if it does not receive the full amount in the correct currency in respect of any payment in respect of the Bonds on or before the due date for such payment;

(e) to give notice of certain events to the Bond Trustee and Bondholders in relation to the Bonds and payments in respect of the Bonds;

(f) while any of the Bonds remain Outstanding, to procure that notice is given to each of the Rating Agencies of (A) any proposed amendment to the Finance Documents; (B) any request for consent from the Security Trustee and each Financial Guarantor under any Finance Document (other than the STID) in relation to any matter or act which would be automatically treated as permitted by such Finance Document upon the giving of consent by the Security Trustee and each Financial Guarantor; (C) the Bonds of any Sub-Tranche being repaid in full; (D) the termination of the appointment of the Cash Manager; (E) the appointment of a replacement Bond Trustee or Security Trustee or any new or replacement Agents; (F) any Default; (G) the taking of Enforcement Action; (H) the occurrence of any SEWH Change of Control; or (I) the acquisition of any Permitted Subsidiary pursuant to a Permitted Acquisition, in each case, promptly after the Issuer or SEW becoming aware of the same; and

(g) to give notice of certain events in relation to the Bonds to the Rating Agencies.

(vii) Additionally, SEW has given certain undertakings in connection with the performance of its obligations under the Finance Leases entered into on or prior to the Initial Issue Date, including but not limited to an undertaking in certain circumstances to terminate and pay out a Finance Lease entered into on or prior to the Initial Issue Date following a breach of a non-monetary obligation thereunder.

Financial Covenants

(i) SEW has undertaken, among other things:

(a) to deliver, with each Compliance Certificate a statement setting out details of the calculation of the following ratios calculated immediately prior to the date of the delivery of that Compliance Certificate:

(A) the ICR for each Test Period;

(B) the Adjusted ICR for each Test Period;

(C) the Average Adjusted ICR;

(D) the RAR as at such Calculation Date and, in the case of forward-looking ratios, the 31 March falling in each Test Period;

(E) the Conformed Adjusted ICR for each Test Period;

(F) the Conformed Average Adjusted ICR for each Test Period; and

(b) at each Periodic Review and on making each IDOK application, to apply to Ofwat for a price determination which, in the reasonable opinion of the SEW directors, would allow, at a minimum, a credit rating the same as the original credit rating in respect of the Unwrapped Debt and a shadow rating the same as the original shadow rating in respect of the Wrapped Debt, in each case from at least two Rating Agencies.

(ii) Either the Cayman Issuer and/or the Issuer is required to maintain:

(a) a DSR Liquidity Facility available for drawing which (when aggregated with all amounts (including the value of any Authorised Investments) standing to the credit of the First Loss Account) is not less than the projected amount of Senior Debt Interest payable for the next succeeding 12 month period; and

(b) an O&M Reserve and/or O&M Reserve Facility available for drawing which together (including the value of any Authorised Investments funded from the balance on any O&M Reserve Account) amount to not less than 10 per cent. of SEW's Projected Operating Expenditure and Capital Maintenance Expenditure for the forthcoming Test Period as determined on 31 March in each year in its budget for that Test Period.

Trigger Events

The CTA also sets out certain Trigger Events which 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 RAR as at any Calculation Date or, in the case of forward-looking ratios, as at 31 March falling in any Test Period is or is estimated to be more than 0.90:1;

(b) the Adjusted ICR for any Test Period is or is estimated to be less than 1.10:1;

(c) the Average Adjusted ICR is or is estimated to be less than 1.20:1;

(d) the Conformed Adjusted ICR for any Test Period is or is estimated to be less than 1.10:1; or

(e) the Conformed Average Adjusted ICR for any Test Period is or is estimated to be less than 1.20:1.

(ii) *Debt Service Payment Account Shortfall*

The failure by SEW to pay the Monthly Payment Amount.

(iii) *Material Deviation in Projections*

The estimated actual Capital Expenditure over any five year period between Periodic Reviews exceeds by 10 per cent. or more the Capital Expenditure for that period assumed by Ofwat in the last Periodic Review in respect of SEW.

(iv) *Liquidity for Capital Expenditure and Working Capital*

If, as at any Calculation Date, the aggregate of (i) SEW's operating cash flows; (ii) Authorised Credit Facilities (excluding Liquidity Facilities) available to be drawn in the next 12 month period; and (iii) all amounts standing to the credit of the Capex Reserve Account, is less than the aggregate of SEW's (a) forecast Capital Expenditure projected for the next 12 month period; (b) forecast working capital requirements projected for the next 12 month period; (c) the total amount of Senior Debt Interest which is or is projected to fall due and payable during the next succeeding 12 month period and any other amounts not falling within the definition of Senior Debt Interest which are or are projected to fall due and payable during the next succeeding 12 month period in respect of any Permitted Financial Indebtedness which is unsecured (including principal repayments on the Debenture Stock) and (d) the amount the Issuer estimates, in its reasonable opinion, is equal to the net amount payable by the Issuer to a Hedge Counterparty following the exercise of an option to terminate a Treasury Transaction as permitted by the Hedging Policy.

(v) *Drawdown on DSR Liquidity Facilities and O&M Reserve Facilities*

If the aggregate of all amounts available for drawing under the DSR Liquidity Facilities and all amounts standing to the credit of the First Loss Account is less than the Required Balance.

If the Cayman Issuer draws down under an O&M Reserve Facility or either the Issuer, the Cayman Issuer or SEW withdraws funds from either O&M Reserve Account, in either case to pay SEW's operating or maintenance expenditure.

(vi) *Enforcement Order*

An Enforcement Order (as defined under the WIA) is issued against SEW which would have a Material Adverse Effect if not complied with.

(vii) *Circumstances leading to a Special Administration Order*

Any published indication or occurrence of other circumstance that would reasonably be expected to lead to an application by Ofwat or the Secretary of State for a Special Administration Order to be made in respect of SEW.

(viii) *Termination of Instrument of Appointment*

The giving of a notice to terminate the Instrument of Appointment.

(ix) *Event of Default*

An Event of Default is continuing.

(x) *Referral regarding Shipwreck Clause*

A referral is made under paragraph 13 of Condition B of the Instrument of Appointment (or any successor or equivalent paragraph) as a result of any adverse event.

(xi) *Audit Qualification*

The Auditors qualify their report of any member of the SEW Financing Group in a manner which causes the Security Trustee to believe that the financial ratios calculated in accordance with the CTA may not reflect the true position of SEW.

(xii) *Adverse Governmental Legislation*

The final reading of new legislation impacting upon Relevant Undertakers (as that term is defined in the WIA) if such legislation could (if enacted) reasonably be expected to lead to a breach of the financial ratios set out above or cause a material deviation in projections as set out above.

(xiii) *Modification or Replacement of Instrument of Appointment*

If within six months of an announcement setting out clear proposals by Ofwat for the modification or replacement of the Instrument of Appointment which, if implemented, could reasonably be expected to have a Material Adverse Effect and a timetable for the implementation of such proposals, SEW 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.

(xiv) *Conduct of Business*

The Permitted Non-Appointed Business Limits are breached.

(xv) *Adverse Final Determination of K*

A final determination of K by Ofwat which is reasonably likely to have a Material Adverse Effect.

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 and the Cayman Issuer may make Restricted Payments and SEW must not declare and must stop any implementation of any Deferrals of K.

(ii) SEW must provide such information as may be requested by the Security Trustee. SEW must discuss with the Security Trustee its plans for appropriate remedial action and the timetable for implementation of such action which must then be implemented by SEW.

(iii) the Security Trustee may commission an Independent Review to be conducted by technical advisers to the Security Trustee to examine the causes of the relevant Trigger Event and recommend appropriate measures.

(iv) the Security Trustee shall be entitled to discuss the relevant Trigger Event and any Remedial Plan with Ofwat.

(v) the appointment of additional non-executive directors if the relevant Trigger Event has not otherwise been remedied or waived within six months from the date of the occurrence.

(vi) restriction on payments by SEW under Outsourcing Agreements and/or Capex Contracts with Associates which do not comply with the Outsourcing Policy.

Trigger Event Remedies

At any time when the Issuer or SEW (as the case may be) 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 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 will be Events of Default under each Finance Document (other than, in respect of the Hedge Counterparties, the Hedging Agreements). Subject, in some cases and where not otherwise stated below, to agreed exceptions, materiality qualifications, reservations of law, grace periods and remedies, Events of Default will include:

(i) non-payment of amounts payable under the Finance Documents;

(ii) non-compliance with certain other obligations under the Finance Documents;

(iii) material misrepresentation;

(iv) any Financial Indebtedness (in excess of £250,000 in aggregate) not being paid when due;

(v) insolvency of any Obligor and the Cayman Issuer (other than SEW) or insolvency proceedings being commenced against any Obligor and the Cayman Issuer (other than SEW) or, in relation to SEW, an insolvency event or insolvency proceedings as set out further in the CTA occur(s) in relation to SEW;

(vi) transfer, revocation or termination of the Instrument of Appointment;

(vii) insufficient liquidity to meet SEW's forecast Capital Maintenance Expenditure and working capital requirements projected for the next six month period;

(viii) any Obligor and the Cayman Issuer repudiating a Finance Document or it becoming unlawful or ineffective to perform obligations under any Finance Document;

(ix) an SEW Change of Control occurs;

(x) any of the Security ceasing to be in full force and effect;

(xi) certain governmental action which would be reasonably likely to have a Material Adverse Effect;

(xii) failure by any Obligor or the Cayman Issuer to comply with any judgment, attachment, sequestration, distress or execution being made, obtained or levied against the assets of any Obligor or the Cayman Issuer (as applicable);

(xiii) an Obligor other than SEW or the Cayman Issuer ceasing or threatening to cease to carry on its business or SEW ceasing or threatening to cease to carry on the Appointed Business;

(xiv) litigation being started against an Obligor or the Cayman Issuer 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 ICR being less than 1.40:1; and

(xvi) the RAR being more than 0.950:1.

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 "*Entrenched Rights and Reserved Matters*" above)) act in accordance with the instructions of the Majority Creditors in accordance with the STID (see "*Security Trust and Intercreditor Deed*" above).

Immediately upon the notification to the Security Trustee of an occurrence of an Event of Default, a Standstill Period will commence in accordance with the STID (see "*Security Trust and Intercreditor Deed — Standstill*" above).

Conditions Precedent

The conditions precedent to the issue of Bonds after the Issue Date are all set out in the conditions precedent agreement dated on or around the date of this Prospectus (the "**CP Agreement**") between, among others, the Bond Trustee, the Security Trustee and the Obligors.

Cash Management

Accounts

The CTA requires SEW to maintain the following Accounts with the Account Bank:

(i) each Operating Account;

(ii) an O&M Reserve Account;

(iii) the Capex Reserve Account; and

(iv) the Debt Service Payment Account of SEW.

The Issuer shall open and maintain the following Accounts with the Account Bank:

(a) the Debt Service Payment Account of the Issuer;

(b) the First Loss Account;

(c) the O&M Reserve Account; and

(d) in the event it raises Permitted Financial Indebtedness denominated in euros, a euro account (the "**Euro Account**").

SEWH shall maintain one chequing account only with the Account Bank. Each of the Issuer and SEW may also maintain an account (each a "**Swap Collateral Account**") into which any collateral provided by a Hedge Counterparty or guarantor thereof shall be deposited upon the relevant trigger occurring for the provision of such collateral to support the obligations of the Hedge Counterparty or guarantor under the terms of the appropriate Hedging Agreement.

Each of the above accounts together with any other bank account of any Obligor and the Cayman Issuer are collectively referred to as the "**Accounts**". Each of the Accounts are held with the Account Bank pursuant to the Account Bank Agreement. Each Obligor and the Cayman Issuer 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, SEW must ensure that all of its revenues (other than any 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.

The Operating Accounts shall be the principal current accounts of SEW through which all operating and Capital Expenditure or any Taxes incurred by SEW and (subject to the terms of the Finance Documents) payments in respect of the Financial Indebtedness of the SEW Financing Group which are not permitted to be satisfied out of monies credited to the Debt Service Payment Accounts shall be cleared. SEW may make transfers at any time from one Operating Account to another, in its sole discretion.

All operating expenditure of SEW will be funded (a) through payments made directly into the Operating Accounts and (b) through drawings made by the Issuer or SEW under any Authorised Credit Facility or other Permitted Financial Indebtedness and, in the case of drawings made by the Issuer (except under any DSR Liquidity Facility), on lent to SEW under an Issuer/SEW Loan Agreement, as and when required and permitted by the Finance Documents. Capital Expenditure will be funded out of monies standing to the credit of the Operating Accounts, out of cash transfers made from the Capex Reserve Account to 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 and the Capex Reserve Account are insufficient, SEW's O&M Reserve Account.

All Distributions and Permitted Post Closing Events are and will be funded (directly or indirectly) out of monies standing to the credit of the Operating Accounts subject always to the satisfaction of all of the conditions set out in the CTA for the making of such payments.

On 31 March of each year (or, if such day is not a Business Day, the immediately preceding Business Day) SEW will calculate the Annual Finance Charge, the Issuer Annual Finance Charge and the SEW Annual Finance Charge for the period of 12 months commencing on the immediately following 1 April and details of such calculation will be included in the next following Investors' Report.

Under the CTA, SEW will on the opening of business on the first Business Day of each month until the Discharge Date transfer to the Issuer from the Operating Accounts an amount (the "**Issuer Monthly Payment Amount**") equal to 1/12th of the Issuer Annual Finance Charge for the relevant 12 month period for credit to the Debt Service Payment Account) provided that the aggregate of any interest accruing on and credited to the Debt Service Payment Account will be treated as a prepayment of future Issuer Monthly Payment Amounts payable during such 12 month period. Accordingly, the Issuer Monthly Payment Amounts due for the remaining months of such 12 month period shall be reduced *pro rata* to reflect such prepayment. On the same day SEW will also transfer from the Operating Accounts an amount (the "**SEW Monthly Payment Amount**") equal to 1/12th of the SEW Annual Finance Charge for the relevant 12 month period for credit to the Debt Service Payment Account of SEW provided that, the aggregate of any interest accruing on and credited to the Debt Service Payment Account of SEW will be treated as a prepayment of future SEW Monthly Payment Amounts payable during such 12 month period. Accordingly, the SEW Monthly Payment Amounts due for the remaining months of such 12 month period shall be reduced pro rata to reflect such prepayment.

SEW will recalculate the Annual Finance Charge, the Issuer Annual Finance Charge, the SEW Annual Finance Charge, the SEW Monthly Payment Amount and the Issuer Monthly Payment Amount if during the course of any relevant 12 month period, there occurs any increase (whether as a result of any increase in the rate of applicable interest, any drawing under any Authorised Credit Facility, any deferral of interest, any upwards adjustment of rentals under any Finance Lease, or otherwise) or decrease (whether as a result of any reduction in the rate of applicable interest, downwards adjustment of rentals under any Finance Lease or any prepayment or repayment of the debt under which the relevant liabilities arise or accrue or otherwise) to the liabilities contained in the definition of "Annual Finance Charge", "SEW Annual Finance Charge" or Issuer Annual Finance Charge" and shall adjust the Issuer Monthly Payment Amount or as the case may be the SEW Monthly Payment Amount for the remaining months in the relevant 12 month period accordingly. The revised SEW Monthly Payment Amount or, as the case may be, the revised Issuer Monthly Payment Amount will be recalculated by subtracting the aggregate of all SEW Monthly Payment Amounts or, as the case may be, Issuer Monthly Payment Amount made at such time since the start of the relevant 12 month period from the revised SEW Annual Finance Charge or, as the case may be, Issuer Annual Finance Charge and dividing the result by the number of payments still to be made on the first Business Day of each month until the end of such 12 month period. SEW shall include details of such recalculation and readjustment in the next following Investors' Report.

Capex Reserve Account

Withdrawals from the Capex Reserve Account are permitted for the purpose of funding a transfer to the Operating Account on account of SEW's capital expenditure requirements or as contemplated below in relation to the application of insurance proceeds or for other purposes to the extent of certain surplus capex reserves.

SEW will also ensure that all proceeds of any property damage insurance claim (other than in respect of delay in start up, business interruption or anticipated loss in revenue or third party claims) in excess of £250,000 are paid directly into the Capex Reserve Account (with all lesser amounts being credited to the other Operating Accounts). SEW may withdraw such proceeds of property damage insurance claims from the Capex Reserve Account for application in meeting payments which are due and payable in respect of the restoration, reinstatement or replacement of the asset lost or damaged or, where any Permitted Lease Termination has arisen as a consequence of the loss of such asset, in payment of any Senior Debt falling due on the date of that Permitted Lease Termination arising as a consequence of the loss of such asset. Any excess proceeds of property damage insurance claims shall be paid to the Debt Service Payment Account of SEW.

If SEW has paid sums to reinstate, restore or replace assets or effects lost or damaged or to meet claims by third parties out of moneys withdrawn from the Operating Accounts, then SEW may pay the relevant insurance amounts received directly into an Operating Account. If the reinstatement, restoration or replacement cost of any damaged property is less than the property damage insurance proceeds received by it in relation to such property, SEW may pay the difference into an Operating Account.

SEW's O&M Reserve Account

Withdrawals from SEW's O&M Reserve Account are permitted if (i) such withdrawal is on account of operating and capital expenditure requirements that cannot be met from existing balances in the Operating Accounts and additionally, in the case of any capital expenditure requirement, the Capex Reserve Account, (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) to the extent of any surplus O&M Reserves as certified by SEW to the Security Trustee and the Account Bank.

SEW will ensure that the proceeds of any drawing by the Issuer under any O&M Reserve Facility Agreement (other than a Standby Drawing) are lent by the Issuer to SEW under an Issuer/SEW Loan Agreement and are paid directly into SEW's O&M Reserve Account or an Operating Account.

Debt Service Payment Accounts

SEW shall ensure that each transfer of or in respect of the Issuer Monthly Payment Amount from the Operating Account, is made to the Issuer directly into the Debt Service Payment Account. SEW shall ensure that each transfer of or in respect of the SEW Monthly Payment Amount from the Operating Accounts is made directly into the Debt Service Payment Account of SEW.

The CTA provides that, on each Payment Date, the aggregate monies credited to the Debt Service Payment Accounts shall be applied in the following order for the purpose of enabling the following payments ("**Permitted Payments**") to be made in the following order of priority (the "**Payment Priorities**") without double counting:

(i) first (to the extent there are insufficient monies standing to the credit of all other Accounts and/or available for drawing under any Liquidity Facility), in or towards satisfaction of all of the SEW Financing Group's operating costs and maintenance costs (except to the extent falling due under the Finance Documents);

(ii) second, *pro rata*, according to the respective amounts thereof in or towards satisfaction of the remuneration, costs and expenses of the Security Trustee and the Bond Trustee;

(iii) third, *pro rata*, according to the respective amounts thereof in or towards satisfaction of, on a *pro rata* basis (a) the remuneration, costs and expenses of each Agent, the Account Bank under the Account Bank Agreement, each DSR Liquidity Facility Provider under the relevant DSR Liquidity Facility Agreement, each O&M Reserve Facility Provider under the relevant O&M Reserve Facility Agreement, each facility agent under the relevant Authorised Credit Facility and the Standstill Cash Manager; and (b) the remuneration, costs and expenses of and fees of each Financial Guarantor pursuant to the relevant G&R Deed and the Guarantee Fee Letter;

(iv) fourth, *pro rata*, according to the respective amounts thereof in or towards satisfaction of interest and principal due or overdue under the Debenture Stock;

(v) fifth, *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 to each DSR Liquidity Facility Provider under the relevant DSR Liquidity Facility Agreement; (b) all amounts of fees, interest and principal (other than Subordinated Liquidity Facility Amounts) due or overdue to each O&M Reserve Facility Provider under the relevant O&M Reserve Facility Agreement; and (c) all amounts of 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;

(vi) sixth, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of all scheduled amounts payable to each Hedge Counterparty under any Interest Rate Hedging Agreement (subject to paragraphs (vii) and (xiii));

(vii) seventh, *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), Recurring Fees and commitment commissions due or overdue in respect of the Senior Debt (other than any Subordinated Coupon Amounts and Subordinated Authorised Loan Amounts); (b) any unscheduled amounts (including termination amounts) due and payable to each Hedge Counterparty under any Interest Rate Hedging Agreement (except to the extent required to be paid at paragraph (xiii) below); (c) all scheduled amounts (other than principal exchange or final exchange amounts) payable to each Hedge Counterparty under any Currency Hedging Agreement or RPI Linked Hedging Agreement in respect of the Senior Debt and (subject to paragraph (xiii) 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 Hedge Counterparty under any Currency Hedging Agreement or RPI Linked Hedging Agreement in respect of the Senior Debt; (d) all amounts of underwriting commissions due or overdue in respect of Senior Debt; and (e) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant G&R Deed in respect of payments of interest on any Senior Debt guaranteed by such Financial Guarantor;

(viii) eighth, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of (a) all amounts of principal due or overdue in respect of Senior Debt (including, in respect of Finance Leases, those amounts payable in respect thereof which do not fall within paragraph (vii) above and do not fall due as a result of the operation of any indemnity or fee reimbursement provision of any Finance Lease); (b) all principal exchange or final exchange amounts due and payable to each Hedge Counterparty under any Currency Hedging Agreement or RPI Linked Hedging Agreement in respect of Senior Debt; (c) any termination amounts or other unscheduled sums due and payable to each Hedge Counterparty under any Currency Hedging Agreement or RPI Linked Hedging Agreement in respect of Senior Debt (except to the extent required to be paid at paragraph (vii) above or paragraph (xiii) below); and (d) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant G&R Deed in respect of payments of principal on any Senior Debt guaranteed by such Financial Guarantor;

(ix) ninth, in or towards satisfaction of any Make-Whole Amount due and payable on the Senior Debt;

(x) tenth, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of any Bonds;

(xi) eleventh, in payment to the First Loss Account until the sum of the balance thereon and the aggregate available commitments under the DSR Liquidity Facility Agreements is not less than the Required Balance;

(xii) twelfth, in payment to the Issuer's O&M Reserve Account until the sum of the O&M Reserve and the aggregate of amounts available to be drawn under O&M Reserve Facilities is not less than the O&M Reserve Required Amount;

(xiii) thirteenth, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of (a) any other amounts (not included in paragraphs (vii) and (viii) above), due and/or overdue to the Finance Lessors; and (b) any termination payment due or overdue to a Hedge Counterparty under any Hedging

Agreement which arises as a result of a default by such Hedge Counterparty or as a result of a downgrade in the credit rating of such Hedge Counterparty;

(xiv) fourteenth, *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 the Liquidity Facility Agreements; (b) all Subordinated Authorised Loan Amounts due or overdue to each Authorised Credit Provider under the relevant Authorised Credit Facility; (c) any other indemnified amounts due or overdue to each Financial Guarantor under the relevant G&R Deed in respect of any Wrapped Debt guaranteed by such Financial Guarantor; and (d) any amounts payable in respect of Senior Debt not referred to in other sub-paragraphs of the Payment Priorities; and

(xv) fifteenth, (to the extent required in the CTA) the balance shall remain in the Debt Service Payment Account.

If at the end of any Test Period, there are amounts standing to the credit of the Debt Service Payment Accounts ("**Excess Funds**") as a result of either (a) interest credited to and accruing on the Debt Service Payment Accounts or (b) payment of amounts into the Debt Service Payment Accounts in excess of the Annual Finance Charge for such Test Period, such Excess Funds will be treated and applied on a first in, first out basis in accordance with when such Excess Funds were credited to the Debt Service Payment Accounts as a prepayment of Future Monthly Payment Amounts due on the next following Interest Payment Date .

The Payment Priorities set out in paragraphs (i) to (xiv) inclusive 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 in repayment or prepayment of any existing Financial Indebtedness of the SEW Financing Group to the extent permitted by the CTA or (b) any return of collateral or premium or up front payment on replacement of a Hedging Agreement which has been terminated in the circumstances contemplated in paragraph (xiii) above which will be paid to the relevant Hedge Counterparty directly. In no circumstance shall the Issuer be entitled to apply monies represented by the Monthly Payment Amount in or towards making a Restricted Payment.

For so long as no Standstill Event is continuing, SEW will, on the date which is seven Business Days prior to each Payment Date (such date, a "**Determination Date**"), determine whether the aggregate amount of monies then credited to the Debt Service Payment Accounts is at least equal to the aggregate of all amounts (other than principal repayments on the Senior Debt) which fall due and payable on such Payment Date (such aggregate amount, "**Scheduled Debt Service**"; and such proportion of the Scheduled Debt Service payable by the Issuer, the "**Issuer Scheduled Debt Service**"; and the difference between the Scheduled Debt Service and the Issuer Scheduled Debt Service (always a positive number), the "**SEW Scheduled Debt Service**"). If the balance on the Debt Service Payment Accounts on a Determination Date is less than the amount of Scheduled Debt Service falling due on the following Payment Date, then SEW will promptly transfer to the Debt Service Payment Accounts an amount equal to the shortfall first from sums standing to the credit of the Operating Accounts and then, to the extent that there would still be a shortfall in meeting the Scheduled Debt Service, from sums standing to the credit of the First Loss Account. No amounts may be so transferred from any Operating Account to the extent that to do so would cause the aggregate net balance of the Operating Accounts to fall below the then current aggregate net overdraft limit on the Operating Accounts or cause the balance on any Operating Account to fall below the then current gross overdraft limit in respect of such Operating Account or cause the balance of the First Loss Account to fall below zero. If after making any required transfers from the Operating Accounts and/or the First Loss Account the balance on the Debt Service Payment Accounts would be insufficient to pay any Scheduled Debt Service falling due for payment at items (i)-(vii) of the Payment Priorities (excluding any termination payments under any Hedging Agreements), the Cayman Issuer shall promptly request a drawing under the DSR Liquidity Facility for payment on the following Payment Date in an amount equal to the shortfall.

First Loss Account and Issuer's O&M Reserve Account

The balance of the First Loss Account shall, together with the available undrawn commitments under any DSR Liquidity Facilities count towards the Required Balance.

Under the Existing DSR Liquidity Facility, the Cayman Issuer will be required to drawdown the whole of a Liquidity Facility Provider's commitment if that Liquidity Facility Provider (i) ceases to have the Minimum Short-term Rating; or (ii) fails to renew its commitment at the end of the term of the relevant Liquidity Facility and whose commitment is not replaced by another Liquidity Facility Provider. The Cayman Issuer must deposit the proceeds of each such drawdown into the First Loss Account (in the case of a drawdown under a DSR Liquidity Facility Agreement) or the Cayman Issuer's O&M Reserve Account (in the case of a drawdown under any O&M Reserve Facility). No monies may be withdrawn from the First Loss Account or the O&M Reserve Account except as permitted by the relevant Liquidity Facility Agreement (see the "*Liquidity Facilities*" below) and the CTA or if the Cayman Issuer delivers, prior to any withdrawal, a certificate to the Security Trustee and the Account Bank that following the making of such withdrawal (a) in the case of the First Loss Account, the aggregate of the amounts standing to the credit of the First Loss Account, and available for drawing under the DSR Liquidity Facilities is at least equal to the Required Balance and (b) in the case of the Cayman Issuer's O&M Reserve Account, the aggregate of the O&M Reserve and amounts available for drawing under the O&M Reserve Facilities is at least equal to the O&M Reserve Required Amount.

SEW agreed to procure that on any Payment Date (save for any date upon which a drawing is to be made under a DSR Liquidity Facility or out of the First Loss Account to make a payment into the Debt Service Payment Account) the aggregate of (i) all amounts available for drawing under the DSR Liquidity Facilities; and (ii) all amounts standing to the credit of the First Loss Account (including the value of any Authorised Investments) are equal to the next 12 months' forecast Senior Debt Interest (the "*Required Balance*").

If the Issuer becomes a party to a DSR Liquidity Facility, it will be required to enter into such a DSR Liquidity Facility which reflects the DSR Liquidity Facility requirements as set out in the CTA.

Authorised Investments

SEW and the Issuer are permitted, in accordance with the CTA, to invest in certain Authorised Investments such part of the amounts standing to the credit of any of the Accounts.

Cash Management during a Standstill Period

The arrangements described in "*Debt Service Payment Accounts*" above shall continue to apply until the commencement of a Standstill Period. The CTA provides that, so long as a Standstill Period continues unremedied, and provided no Enforcement Action (other than a Permitted Share Pledge Acceleration) has occurred, SEW shall cease to be the Cash Manager and will be replaced by the Standstill Cash Manager, who shall assume control of the Accounts, pay operating expenditure when it falls due and, on a monthly basis, calculate the aggregate of all payments falling 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, any payments falling to be made within a category of payment falling within a Shortfall Paragraph shall be satisfied by a payment of the pro-rata share of that payment so calculated and no payments falling in a category which (in accordance with the Payment

Priorities) falls after a Shortfall Paragraph shall be made (and the balance of the payments not made shall remain outstanding).

The proceeds of enforcement of the Security which is permitted to be enforced during a Standstill Period will also be applied in accordance with the Payment Priorities. In circumstances where such enforcement occurs during a Standstill Period or following termination of a Standstill the proceeds of enforcement will be applied in accordance with the above Payment Priorities but excluding in these circumstances payments under sub-paragraphs (i), (xi) and (xii) thereof.

Security Agreement

Security

Each Obligor and the Cayman Issuer, has entered into the security agreement (the "**Security Agreement**") with the Security Trustee pursuant to which SEWH will guarantee the obligations of each other Obligor and the Cayman Issuer under the Finance Documents and the Restricted Chargors, being the Issuer, the Cayman Issuer, SEW and SEWH will guarantee the obligations of each other under the Finance Documents, in each case to the Security Trustee as security trustee for the Secured Creditors. Each of the Issuer, the Cayman Issuer, SEW and SEWH will secure its property, assets and undertakings to the Security Trustee as trustee for the Secured Creditors. However, in respect of SEW, the creation, perfection and enforcement of such security will be subject to the WIA, the Instrument of Appointment and requirements thereunder.

The Security Agreement incorporates, to the extent applicable, 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 SEW and the Issuer;

   (b) each of the Issuer's, Cayman Issuer's, SEW and SEWH'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 of the Issuer's, Cayman Issuer's, SEW and SEWH's bank accounts;

   (e) certain intellectual property rights owned by each of the Issuer, Cayman Issuer, SEW and SEWH;

   (f) each Authorised Investment;

   (g) all shares of any person owned by the Issuer, Cayman Issuer, SEW and SEWH including all dividends, interest and other monies payable in respect thereof and all other rights related thereto;

   (h) all present and future book debts; and

   (i) all benefit in respect of certain insurances;

(ii) an assignment of each of the Issuer's, Cayman Issuer's, SEW and SEWH's right in respect of all Transaction Documents; and

(iii) a first floating charge of the whole of the undertaking of each of the Issuer, Cayman Issuer, SEW and SEWH, except that the Security does not include any security over Protected Land (see Chapter 6, "*Water Regulation*" under "*Protected Land*") or any of SEW'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 SEW to grant security and certain limitations and restrictions on the security purported to be granted, see Chapter 5 "*Investment Considerations — Certain Legal Considerations — Security*" and Chapter 6 "*Water Regulation — Restrictions on the granting of security*".

Prior to an Event of Default, notices of assignment will only be given to the relevant counterparty to the Transaction Documents that are assigned and to the insurers with whom SEW 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.

Security Structure

The following shows the security provided by the SEW Financing Group in favour of the Security Trustee on behalf of the Secured Creditors:

Security	**Entity**	**Guarantee**
Fixed and floating charge Principal secured asset is its holding of shares in SEW	SEWH	Guarantees all obligations of SEW, the Cayman Issuer and the Issuer under the Finance Documents
Fixed and floating charge over its property, assets and undertaking, all subject to the WIA and the Instrument of Appointment	SEW	Guarantees all obligations of the Issuer and the Cayman Issuer under the Finance Documents
Fixed and floating charge	Cayman Issuer	Guarantees all obligations of SEW under the Finance Documents
Fixed and floating charge	Issuer	Guarantees all obligations of SEW under the Finance Documents

Financial Guarantor Documents

Guarantee and Reimbursement Deeds

On each relevant Issue Date in respect of Wrapped Bonds, the Issuer and SEW will enter into a guarantee and reimbursement deed (each a "**G&R Deed**") with the relevant Financial Guarantor, pursuant to which the Issuer will be obliged, among other things, to reimburse such Financial Guarantor in respect of the payments made by it under the relevant Financial Guarantee and to pay, among other things, any financial guarantee fee and fees and expenses of such Financial Guarantor in respect of the provision of the relevant Financial Guarantee. Insofar as a Financial Guarantor makes payment under the relevant Financial Guarantee in respect of Guaranteed Amounts (as defined in such Financial Guarantee), it will be subrogated to the present and future rights of the relevant Wrapped Bondholders or relevant holders of other Wrapped Debt against the Issuer in respect of any payments made.

Additional Resources Available

Authorised Credit Facilities

Under the Revolving Credit Facility, a £150 million revolving credit facility is available to SEW for capital expenditure requirements (in respect of capital expenditure which will qualify for an addition to RCV relating to SEW in accordance with the capex programme agreed from time to time with Ofwat) from 15 August 2025 for 36 months.

Under the Term Facility, a £30 million term facility was made available for SEW to be applied in accordance with the Green Finance Framework (as defined therein) from 15 August 2025 and is due to mature on 15 August 2028 (subject to extension options as set out therein).

SEW and the Issuer have made representations and warranties, covenants and undertakings to the Revolving Credit Facility Providers and the Term Facility Provider on the terms set out in the CTA.

The Revolving Credit Facility and the Term Facility are each an Authorised Credit Facility. The Events of Default under the CTA will apply under any Authorised Credit Facility Agreement (see "*Common Terms Agreement*" above).

The ability of the Authorised Credit Facility Providers to accelerate any sums owing to them under any Authorised Credit Facility upon or following the occurrence of an Event of Default thereunder is subject to the STID.

SEW and/or the Issuer may enter into further Authorised Credit Facilities. Each additional Authorised Credit Provider will be given the benefit of the Security and will be required to accede to the STID and the CTA.

On 24 July 2026, the Cayman Issuer announced that SEW and the Issuer had agreed terms for £200,000,000 of new liquidity under an agreement that will backstop a future issuance of Bonds. Pursuant to such agreement, certain third-party investors have committed to subscribe for Bonds issued by the Issuer as a backstop for a future issuance of Bonds, in return for the payment of certain fees and expenses by SEW. SEW entered into such backstop arrangement to give certainty that it had secured the desired amount of capital to continue to deliver on the PR24 Business Plan on an ongoing basis.

The Liquidity Facilities

The Existing DSR Liquidity Facility Agreement was entered into on 16 June 2021 and was renewed on 19 June 2026. The Cayman Issuer and/or the Issuer may establish further DSR Liquidity Facilities in connection with the issue of further Bonds and other Senior Debt incurred.

Under the terms of the existing DSR Liquidity Facility Agreement, Crédit Agricole Corporate and Investment Bank and Canadian Imperial Bank of Commerce, London Branch, as the DSR Liquidity Facility Providers provides a 364 day commitment in an aggregate amount specified in the DSR Liquidity Facility Agreement to permit drawings to be made by the Cayman Issuer, in circumstances where there will be insufficient funds in aggregate in the Debt Service Payment Accounts available on a Payment Date to pay amounts scheduled to be paid in respect of items (i) to (vii) inclusive of the Payment Priorities (a "**Liquidity Shortfall**"). This, currently, includes the payment of interest in relation to the Cayman Issuer's Senior Debt but not the Issuer's Senior Debt. In circumstances where there will be a Liquidity Shortfall which would mean that interest in relation to the Issuer's Senior Debt would not be available, an amount will be withdrawn from the First Loss Account to cover such a shortfall. To the extent that the Issuer accedes to the Existing DSR Liquidity Facility Agreement or enters into another DSR Liquidity Facility Agreement, the Issuer will be able to make a drawing from such DSR Liquidity Facility to which they are a party to pay amounts required to satisfy a Liquidity Shortfall.

The current O&M Reserve Facility Agreement was entered into on 16 June 2021 and was renewed on 19 June 2026; under the terms of the O&M Reserve Facility Agreement, Crédit Agricole Corporate and Investment Bank and Canadian Imperial Bank of Commerce, London Branch, as the O&M Reserve Facility Providers will provide a 364 day liquidity facility in an aggregate amount equivalent to 10 per cent. of SEW's Projected Operating Expenditure and Capital Maintenance Expenditure for the succeeding 12 months, drawings under which will be on-lent by the Cayman Issuer to SEW to meet SEW's operating and capital maintenance expenditure requirements to the extent that SEW has insufficient funds available to it to meet these requirements. The Cayman Issuer and/or the Issuer may establish further O&M Reserve Facilities in connection with the issue of further Bonds and other Senior Debt incurred.

Each Liquidity Facility Provider must be a bank which as at the relevant Issue Date has the Minimum Short-term Rating.

Each Liquidity Facility Provider may be replaced at any time provided that such Liquidity Facility Provider is replaced by a bank with the Minimum Short-term 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 Cayman Issuer and/or Issuer (as applicable) may be redrawn.

Each Liquidity Facility Agreement will provide that if (i) at any time the rating of the relevant Liquidity Facility Provider falls below the Minimum Short-term Rating, or (ii) 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, the Cayman Issuer and/or Issuer (as applicable) will:

(i) use all reasonable endeavours to replace the relevant Liquidity Facility Provider with a party having the Minimum Short-term Rating; and

(ii) (if a replacement is not made within the relevant time period specified in the relevant Liquidity Facility Agreement) be entitled to require such Liquidity Facility Provider to pay into the First Loss Account (in the case of a DSR Liquidity Facility) or the Cayman Issuer's O&M Reserve Account (in the case of an O&M Reserve Facility) the full amount of the relevant Liquidity Facility Provider's undrawn commitment (a "**Standby Drawing**").

A Standby Drawing will generally be repayable only if the relevant Liquidity Facility Provider is re-rated with the Minimum Short-term Rating or confirmation is received from each of the Rating Agencies that either (i) the terms of a replacement Liquidity Facility, or (ii) the absence of any such facility, in each case, as applicable will not lead to a shadow ratings downgrade of the Wrapped Bonds or a credit ratings downgrade of the Unwrapped Bonds from the relevant Rating Agencies.

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 Cayman Issuer and/or Issuer (as applicable) 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 Cayman Issuer and/or Issuer (as applicable) 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.

Hedging

The Hedging Policy provides that the SEW Financing Group must enter into Hedging Agreements in accordance with the Hedging Policy and that, the only member of the SEW Financing Group that may enter into Hedging Agreements is the Issuer, provided that the Issuer may enter into back-to-back swap arrangements with SEW in respect of Hedging Agreements entered into by the Issuer to hedge the obligations of SEW under Finance Leases or any other Authorised Credit Facility raised by SEW or which are otherwise not directly linked to the raising of new debt under an Authorised Credit Facility. For the avoidance of doubt, the Hedging Policy does not regulate any SEW Derivative Transaction entered into by SEW pursuant to Paragraph 20(b) of Part 3 (*General Covenants*) of Schedule 4 (*Covenants*), which shall be regulated by the SEW Derivative Policy (as set out at Schedule 7A (*SEW Derivative Policy and Overriding Provisions Relating to SEW Derivative Transactions*)).

The Hedging Policy provides, inter alia, that:

(i) The SEW Financing Group will not enter into Treasury Transactions for the purpose of speculation, but rather only to manage risk inherent in its business or funding on a prudent basis.

(ii) Any change to the Hedging Policy will be subject to SEW board approval and may only be made with the approval of the Security Trustee (such approval not to be unreasonably withheld).

(iii) Subject to such approvals, the Hedging Policy will be reviewed from time to time by the SEW Financing Group and amended (subject to Entrenched Rights and Reserved Matters and in accordance with the provisions of the STID) as appropriate in line with market developments, regulatory developments and Good Industry Practice.

(iv) The SEW Financing Group must not bear currency risk in respect of any foreign currency denominated debt instruments, or in respect of any significant foreign currency purchases.

(v) The SEW Financing Group will hedge its exposure to interest rate risk at all times on at least 85 per cent. of its total outstanding debt liabilities for the current period to the next Periodic Review and at least 85 per cent. in the next period to the subsequent Periodic Review (each to be adjusted to the extent that the period from one Periodic Review to the next Periodic Review is greater than five years) (on a rolling basis). This figure will be kept under review with respect to market conditions and developments in regulatory methodology and practice.

(vi) 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 Issuer.

(vii) The SEW Financing Group will manage its exposure to inflation risk through the use of index-linked instruments where it is cost effective.

(viii) The Issuer and, in the case of RPI Linked Hedging Agreements, SEW may only enter into Treasury Transactions with counterparties whose short-term, unsecured and unsubordinated debt obligations are assigned a rating by the Rating Agencies which is no less than the Minimum Short-term Rating and whose long-term, unsecured and unsubordinated debt obligations are assigned a rating by Moody's of at least Aa3 (the "**Moody's Minimum Long-term Rating**"), or where a parent guarantee is provided by an institution which meets the same criteria. The Hedging Agreement is to include a provision entitling the Issuer or, as the case may be, SEW to terminate if there is a downgrade of the Hedge Counterparty (or guarantor thereof) from the Minimum Short-term Rating and/or Moody's Minimum Long-term Rating if the relevant Hedge Counterparty does not:

    (a) procure that another person become co-obligor or guarantor in respect of its obligations under the relevant Hedging Agreement, such other person having the required credit ratings;

(b) put in place an appropriate mark-to-market collateral agreement in support of its obligations under the relevant Hedging Agreement;

(c) transfer all of its rights and obligations under the Hedging Agreement to a replacement third party which is rated no less than the Minimum Short-term Rating and the Moody's Minimum Long-term Rating (or whose obligations are guaranteed by a party so rated); or

(d) take such other action as the Hedge Counterparty agrees with the Rating Agency in respect of which the downgrade has occurred.

(ix) Hedging Agreements must be entered into in the form, as amended by the parties thereto, of the 1992 ISDA Master Agreement (Multicurrency — Cross Border), the 2002 Master Agreement published by ISDA or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee.

Termination of Hedging Agreements

The Issuer or, as the case may be, SEW will be entitled (but not obliged) to terminate a Hedging Agreement in certain circumstances (including a failure to pay by the Hedge Counterparty, certain insolvency events affecting the Hedge Counterparty, breach of agreement or misrepresentation by the Hedge Counterparty and certain rating downgrade events affecting the Hedge Counterparty or any guarantor as the case may be).

The Hedge Counterparty will be entitled to terminate a Hedging Agreement only in certain limited circumstances being:

(i) a failure by the Issuer or, as the case may be, SEW to make payment when due;

(ii) certain insolvency events affecting the Issuer or, as the case may be, SEW;

(iii) illegality affecting the Hedging Agreement;

(iv) certain tax events;

(v) redemption in whole or in part of any Sub-Tranche of the Bonds hedged by such Treasury Transaction;

(vi) termination of a Standstill Period (except by virtue of remedy or waiver of the relevant Event of Default giving rise to the Standstill Period) or, if earlier, an Acceleration of any Sub-Tranche of the Bonds hedged by such Treasury Transaction pursuant to Condition 11 of the Bonds; and

(vii) (subject to the provisions described below) upon the exercise of an option to terminate a Hedging Agreement on the tenth anniversary of the effective date of the relevant hedging transaction or at five yearly intervals thereafter.

The Issuer may enter into interest rate Treasury Transactions with Hedge Counterparties pursuant to which each relevant Hedge Counterparty has the right to terminate the relevant interest rate Treasury Transaction on the tenth anniversary of the effective date of such interest rate Treasury Transaction and thereafter no more frequently than at five-yearly intervals provided that:

(i) the relevant Hedge Counterparty gives the Issuer at least one year's prior notice in writing of its intention to exercise such right of termination; and

(ii) the aggregate notional amount and/or sterling currency amounts (as applicable) of interest rate Treasury Transactions pursuant to which Hedge Counterparties have such right of termination does not exceed 10 per cent. of RCV.

In the event that a Hedging Agreement or a Treasury Transaction is terminated, a termination payment reflecting the marked-to-market value of that Hedging Agreement or Treasury Transaction may be due from the Issuer, or as the case may be, SEW.

Other Transaction Documents

Account Bank Agreement

Pursuant to the Account Bank Agreement, the Account Bank agreed to hold the Accounts and operate them in accordance with the instructions of the Cash Manager or Standstill Cash Manager (as applicable). The Cash Manager or Standstill Cash Manager (as applicable) manages the Accounts on behalf of the SEW Financing Group pursuant to the CTA (see "*Cash Management*" above). On the Accession Date, the Issuer will accede to the Account Bank Agreement and its Accounts will mirror those of the Cayman Issuer.

Tax Deeds of Covenant

SEW Tax Deed of Covenant

Under the terms of the SEW Tax Deed of Covenant, each Obligor and the Cayman Issuer gave certain representations and covenants as to its tax status and to the effect that, subject to SEW's membership of the SEW VAT Group, it has not taken and, save in certain permitted circumstances, will not take any steps which might reasonably be expected to give rise to a liability to tax for an Obligor or Cayman Issuer where that tax is primarily the liability of another person. Certain other companies including Hastings Luxembourg Water S.à.r.l. (formerly known as Macquarie Luxembourg Water S.à.r.l) ("**HLux**") and HWUK also represented and covenanted that they have not taken nor will take any steps which might reasonably be expected to give rise to a liability for tax for an Obligor where that tax is primarily the liability of another person.

With a view to preventing a liability to tax arising for an Obligor or the Cayman Issuer, which is primarily the liability of another person, HLux and HWUK (among others) have, under the SEW Tax Deed of Covenant, incurred certain obligations in relation to specified events and any change in tax residence of the Obligors and the Cayman Issuer. For example, the SEW 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 SEWH and therefore of the Obligors, including the Cayman Issuer, (say, as a result of the sale of shares in SEWH, HWUK or any holding company of HWUK), HWUK 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 in an Obligor or the Cayman Issuer as a result of the sale. The money deposited could then be used to pay the tax liability of the Obligor and the Cayman Issuer (as applicable).

Hastings Tax Deed of Covenant

Under the terms of the Hastings Tax Deed of Covenant, as supplemented by the Further Tax Deed of Covenant, HDF (UK) Holdings Limited ("**HDF**"), Utilities of Australia Pty Limited (as trustee of Utilities Trust of Australia) La Caisse de dépôt et placement du Québec and CDP (SEW) Fund, L.P. give certain limited tax-related covenants to the Security Trustee, the Initial Financial Guarantor and (as of 14 December 2007) Financial Security Assurance (U.K.) Limited.

CHAPTER 8
THE BONDS

Terms and Conditions of the Bonds

*The following is the text of the terms and conditions which (subject to completion and amendment and as supplemented or varied in accordance with 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 Global Bond Certificate (as defined below) representing Bonds in registered form and each Individual Bond Certificate (as defined below) 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 Issuer). If such incorporation by reference is not so permitted and agreed, each Bond in bearer form and each Individual Bond Certificate 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, including, in the case of Wrapped Bonds (as defined below), the form of Financial Guarantee (as defined below) and endorsement and, in the case of all Sub-Tranches (as defined below), the terms of the relevant advance under the relevant Issuer/SEW Loan Agreement. References in the Conditions to "**Bonds**" are, as the context requires, references to the Bonds of one Sub-Tranche only, not to all Bonds which may be issued under the Programme.* South East Water Issuer PLC (the "**Issuer**") has established a guaranteed bond programme (the "**Programme**") for the issuance of up to £2,000,000,000 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 Tranches of Bonds (each a "**Tranche**"). Each Tranche may comprise one or more sub-tranches (each a "**Sub-Tranche**").

Certain of the Bonds will be subject to a Financial Guarantee and will be designated as "**Wrapped Bonds**". The Bonds which are not subject to a Financial Guarantee will be designated as "**Unwrapped Bonds**" (and together with the "**Wrapped Bonds**", the "**Bonds**"). Each Sub-Tranche will be denominated in different currencies or will have different interest rates, maturity dates or other terms. Bonds of any Tranche may be fixed rate bonds ("**Fixed Rate Bonds**"), floating rate bonds ("**Floating Rate Bonds**"), index-linked bonds ("**Indexed Bonds**") or instalment bonds ("**Instalment 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-Tranche of Bonds are these terms and conditions ("**Conditions**") as completed by a set of final terms in relation to such Sub-Tranche ("**Final Terms**"). In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

The Final Terms for the Bonds (or the relevant provisions thereof) completes these Conditions. Reference to "**Final Terms**" is to the Final Terms (or the relevant provisions thereof) applicable to the Bonds.

The Bonds are subject to and have the benefit of a trust deed dated on or around the date of 25 August 2026 (the "**Bond Trust Deed**") between the 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 Wrapped Bonds alone will be unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest (as adjusted for indexation, as applicable, but excluding any additional amounts relating to premium, prepayment or acceleration, accelerated amounts and amounts (if any) by which, in the case of Fixed Rate Bonds or Indexed Bonds (other than deferred interest), the Coupons (as defined below) exceed the initial Coupons on such Sub-Tranche as at the relevant Issue Date (as defined in Condition 6(j) (Definitions), and, in the case of Floating Rate Bonds, the Margin on the Coupons (as defined below) exceeds the initial Margin on the Coupons on such Sub-Tranche as at the relevant Issue Date (as defined in Condition 6(j) (Definitions)) (in each case, the "**Subordinated Coupon Amounts**"), all such amounts being the "**FG Excepted Amounts**") pursuant to a financial guarantee (each, a "**Financial Guarantee**") to be issued by a financial guarantor (each, a **"Financial Guarantor**") in conjunction with the issue of each Sub-Tranche of Bonds.

The Unwrapped Bonds will not have the benefit of any such Financial Guarantee.

The Bonds have the benefit (to the extent applicable) of an agency agreement (the "**Agency Agreement**") dated 25 August 2026 (to which the 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 Issuer and any calculation agent appointed by the Issuer as calculation agent (the "**Calculation Agent**").

On 27 July 2004 (the "**Initial Issue Date**"), the Cayman Issuer entered into a security agreement (the "**Security Agreement**") with Deutsche Trustee Company Limited as security trustee (the "**Security Trustee**"), pursuant to which the Cayman Issuer granted certain fixed and floating charge security (the "**Issuer Security**") to the Security Trustee for itself and on behalf of the other Secured Creditors (as defined below), the Bond Trustee (for itself and on behalf of the Bondholders), the Bondholders, each Financial Guarantor, the Cayman Issuer, each Liquidity Facility Provider, the Initial Credit Facility Arranger, the Liquidity Facility Agents, the Initial Credit Facility Agent, the Initial Credit Facility Provider and each Authorised Credit Provider (as defined below), each Agent, the Account Bank, the Cash Manager (other than when the Cash Manager is SEW), the Standstill Cash Manager and any Additional Secured Creditors (each as defined therein) (together, the "**Secured Creditors**"). On 25 August 2026 (the "**Accession Date**"), the Issuer will become a party to the Security Agreement in its capacity as an "Issuer" and will grant the equivalent Issuer Security.

On the Initial Issue Date, the Cayman Issuer entered into a security trust and intercreditor deed (the "**STID**") with, among others, the Security Trustee and other Secured Creditors and pursuant to which the Security Trustee holds the Security on trust for the Secured Creditors and the Secured Creditors agree to certain intercreditor arrangements. On the Accession Date, the Issuer will become a party to the STID in its capacity as an "Issuer".

On 25 August 2026, the Issuer entered into a Dealership Agreement (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-Tranche of Bonds issued by the Issuer, and pursuant to which the Dealers have agreed to subscribe for the relevant Sub-Tranche of Bonds.

On the Initial Issue Date, the Cayman Issuer entered into a common terms agreement (as amended from time to time, the "**Common Terms Agreement**") with, among others, the Security Trustee, pursuant to which the Issuer makes certain representations, warranties and covenants and which sets out in Schedule 7 thereof the Events of Default (as defined therein) in relation to the Bonds. On the Accession Date, the Issuer became a party to the Common Terms Agreement in its capacity as an "Issuer".

The Issuer may enter into liquidity facility agreements (together, the "**Liquidity Facility Agreements**") with certain liquidity facility providers (together, the "**Liquidity Facility Providers**") pursuant to which the

Liquidity Facility Providers agree to make certain facilities available to meet liquidity shortfalls (including debt service liquidity shortfalls and shortfalls in operating and maintenance expenditure of SEW).

The Issuer may enter into certain credit facilities (together, the "**Authorised Credit Facilities**") with certain lenders (the "**Authorised Credit Providers**"), pursuant to which the Authorised Credit Providers agree to make certain facilities available to the Issuer for the purpose of funding certain working capital, capital expenditure and other expenses.

The Issuer may enter into certain currency, index linked and interest rate hedging agreements and SEW and/or the Issuer may enter into certain index linked hedging agreements (together, the "**Hedging Agreements**") with certain hedge counterparties (together the "**Hedge Counterparties**") in respect of certain Sub-Tranches of Bonds and Authorised Credit Facilities, pursuant to which the Issuer or SEW, 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 Security Agreement, the STID, the New York Law Security Document, the New York Law Assignment Agreement, and any other documentation evidencing or creating security over any asset of an Obligor, and the Cayman Issuer, to a Secured Creditor under the Finance Documents (being together the "**Security Documents**"), the Financial Guarantee Fee Letters, the Finance Lease Documents, the Agency Agreement, the Liquidity Facility Agreements, the Hedging Agreements, the Initial Credit Facility Agreement, the Issuer/SEW Loan Agreements, the G&R Deeds, the Financial Guarantees, the Common Terms Agreement, the CP Agreement, any other Authorised Credit Facilities, the master definitions agreement between, among others, the Cayman Issuer and the Security Trustee dated the Initial Issue Date as amended and restated on 14 December 2007 and as amended from time to time and to which the Issuer will become a party in its capacity as an "Issuer" on the Accession Date (the "**Master Definitions Agreement**"), the account bank agreement between, among others, the account bank, the Cayman Issuer and the Security Trustee (the "**Account Bank Agreement**"), the Tax Deeds of Covenant and the indemnification deed between, among others, the Financial Guarantor and the Dealers dated the Initial Issue Date (the "**Indemnification Deed**") and any related security document (each, if not defined above, as defined below or in the Master Definitions Agreement) are, in relation to the Bonds, (and together with each other agreement or instrument between SEW or the Issuer (as applicable) and an Additional Secured Creditor designated as a Finance Document by SEW or the Issuer (as applicable), 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).

The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Bond Trust Deed, the STID, the Security Agreement, the Common Terms Agreement 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) Form and Denomination

The Bonds will be issued either (i) in bearer form ("**Bearer Bonds**"), serially numbered in a Specified Denomination (as specified in the relevant Final Terms), or (ii) in registered form ("**Registered Bonds**") as specified in the applicable Final Terms, and serially numbered in a Specified Denomination or an integral multiple thereof provided that in the case of any Bonds which are to be admitted to trading on a regulated market in the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the 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-Tranches, Tranches and Series.

So long as the relevant 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.

Interest-bearing Bearer Bonds are issued with Coupons (as defined below) (and, where appropriate, a Talon, (as defined below)) attached. 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. Any Bearer Bond the principal amount of which is redeemable in instalments 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.

(b) Title

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 Issuer shall procure to be kept by the Registrar.

In these Conditions, subject as provided below, each "**Bondholder**" (in relation to a Bond, Coupon, Receipt or Talon), "**holder**" and "**Holder**" means (i) in relation to a Bearer Bond, the bearer of any Bearer Bond, Coupon, Receipt or Talon (as the case may be) and (ii) in relation to Registered Bond, the person in whose name a Registered Bond is registered, as the case may be. The expressions "**Bondholder**", "**holder**" and "**Holder**" include the holders of instalment receipts ("**Receipts**"), appertaining to the payment of principal by instalments (if any) attached to such Bonds in bearer form (the "**Receiptholders**"), the holders of the coupons ("**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, ("**Talons**") (if any) for further coupons or receipts, as applicable attached to such Bonds (the "**Talonholders**").

The bearer of any Bearer Bond, Coupon, Receipt or Talon and the registered holder of any Registered Bond will (except as otherwise required by law) 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 Bond Certificate in respect thereof) and no person will be liable for so treating the holder.

Bonds which are represented by a Global Bond or Global Bond Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

(c) Fungible Issues of Bonds comprising a Sub-Tranche

A Sub-Tranche of Bonds may comprise a number of issues in addition to the initial tranche of such Sub-Tranche, each of which will be issued on identical terms save for the first interest payment, the Issue Date and the Issue Price. Such further issues of the same Sub-Tranche will be consolidated and form a Series with the prior issues of that Sub-Tranche.

2 Exchanges of Bearer Bonds for Registered Bonds and Transfers of Registered Bonds

(a) Exchange of Bonds

Subject to Condition 2(e) (Closed Periods), Bearer Bonds may, if so specified in the relevant Final Terms, be exchanged at the expense of the transferor Bondholder for the same aggregate principal amount of Registered Bonds at the request in writing of the relevant Bondholder and upon surrender of the Bearer Bond to be exchanged together with all unmatured Coupons, Receipts and Talons (if any) relating to it at the specified office of the Registrar or any Transfer Agent or Paying Agent. Where, however, a Bearer Bond is surrendered for exchange after the Record Date (as defined below) for any payment of interest or Interest Amount (as defined below), the Coupon in respect of that payment of interest or Interest Amount need not be surrendered with it.

Registered Bonds may not be exchanged for Bearer Bonds.

(b) Transfer of Registered Bonds

A Registered Bond may be transferred upon the surrender of the relevant Individual Bond Certificate, 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 an Individual Bond Certificate, a new Individual Bond Certificate 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.

(c) Delivery of New Individual Bond Certificates

Each new Individual Bond Certificate to be issued upon exchange of Bearer Bonds or 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 request for exchange or form of transfer, be available for delivery at the specified office of the Transfer Agent or the Registrar stipulated in the request for exchange or form of transfer, or be mailed at the risk of the Bondholder entitled to the Individual Bond Certificate to such address as may be specified in such request or form of transfer. For these purposes, a form of transfer or request for exchange 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.

(d) Exchange at the Expense of Transferor Bondholder

Registration of Bonds on exchange or transfer will be effected at the expense of the transferor Bondholder by or on behalf of the 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.

(e) Closed Periods

No transfer of a Registered Bond may be registered, nor any exchange of a Bearer Bond for a Registered Bond may occur during the period of 15 days ending on the due date for any payment of principal, interest, Interest Amount (as defined below) or Redemption Amount (as defined below) on that Bond.

3 Status of Bonds and Financial Guarantee

(a) Status of Bonds

The Bonds, Coupons, Talons and Receipts (if any) are direct and unconditional obligations of the 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. However, the Unwrapped Bonds will not have the benefit of any Financial Guarantee.

(b) Financial Guarantee Issued by Financial Guarantor

This Condition 3(b) is applicable only in relation to Bonds which are specified as being a Sub-Tranche of Wrapped Bonds.

Each Sub-Tranche of each Tranche of Wrapped Bonds will have the benefit of a Financial Guarantee issued by a Financial Guarantor, issued pursuant to a guarantee and reimbursement deed between, amongst others, the Issuer and a Financial Guarantor dated on or before the relevant Issue Date (as defined below) of such Bonds (each a "**G&R Deed**"). Under the relevant Financial Guarantee, the relevant Financial Guarantor unconditionally and irrevocably agrees to pay to the Bond Trustee all sums due and payable but unpaid by the Issuer in respect of scheduled interest and payment of principal (but excluding FG Excepted Amounts) on such Wrapped Bonds, all as more particularly described in the relevant Financial Guarantee.

The terms of the relevant Financial Guarantee provide that amounts of principal on any such Bonds which have become immediately due and payable (whether by virtue of acceleration, prepayment or otherwise) other than on the relevant Payment Date (as defined under the Financial Guarantee) will not be treated as Guaranteed Amounts (as defined in the Financial Guarantee) which are Due for Payment (as defined in the Financial Guarantee) under the Financial Guarantee unless the Financial Guarantor in its sole discretion elects so to do by notice in writing to the Bond Trustee. The Financial Guarantor may elect to accelerate payments due under the Financial Guarantee in full or in part. All payments made by the relevant Financial Guarantor under the relevant Financial Guarantee in respect of partial acceleration shall be applied (i) to pay the Interest (as defined in the relevant Financial Guarantee) accrued but unpaid on the Principal (as defined in the relevant Financial Guarantee) of such part of the accelerated payment;

and (ii) to reduce the Principal (as defined in the relevant Financial Guarantee) (or, in the case of Wrapped Bonds repayable in instalments, each principal repayment instalment on a *pro rata* basis with a corresponding reduction of each amount of the Interest (as determined in the Financial Guarantee)) outstanding under the relevant Sub-Tranches of Wrapped Bonds. If no such election is made, the Financial Guarantor will continue to be liable to make payments in respect of the Bonds pursuant to the relevant Financial Guarantee on the dates on which such payments would have been required to be made if such amounts had not become immediately due and payable.

To the extent that the early redemption price of any Bonds exceeds the aggregate of the Principal Amount Outstanding of and any accrued interest outstanding on any such Bonds to be redeemed (each as adjusted for indexation in accordance with Condition 7(b) (Application of the Index Ratio), if applicable), payment of such early redemption price will not be guaranteed by the Financial Guarantor under the relevant Financial Guarantee.

(c) Status of Financial Guarantee

This Condition 3(c) is applicable only in relation to Bonds which are specified as being a Sub-Tranche of Wrapped Bonds.

The relevant Financial Guarantee provided by the Financial Guarantor in respect of the Bonds will constitute a direct, unsecured obligation of the Financial Guarantor which will rank at least *pari passu* with all other unsecured obligations of such Financial Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(d) 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 in accordance with its sole discretion (where granted such right) or as directed, requested or instructed by or subject to the agreement of the Majority Creditors 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 SEW with any of its obligations under the Finance Documents to which it is a party except by means of receipt from SEW of certificates of compliance which SEW has covenanted to deliver to the Security Trustee pursuant to the provisions of the Common Terms Agreement 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 in which case it will be bound to act on such instructions in accordance with the STID. 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 Common

Terms Agreement and to view a copy of the unaudited interim accounts and audited annual accounts of SEW within 60 days of 30 September and 180 days of 31 March of each year, respectively.

In addition, each Guarantor has covenanted to provide the Security Trustee with certain additional information (as set out in Schedule 5, Part 1 "*Information Covenants*" of the Common Terms Agreement). Such information may be published on a website designated by the relevant Guarantor and the Security Trustee. Any Bondholder who provides sufficient evidence of identity may obtain the current password to such website upon application to the Principal Paying Agent or the Registrar (as applicable).

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

Under the Security Agreement:

(i) South East Water (Holdings) Limited ("**SEWH**") guarantees the obligations of the Cayman Issuer and each other Obligor under the Finance Documents; and

(i) the Restricted Chargors will guarantee the obligations of each other under the Finance Documents,

in each case to the Security Trustee for itself and on behalf of the Secured Creditors (including, without limitation, the Bond Trustee for itself and on behalf of the Bondholders).

Under the Security Agreement each of SEWH and the Restricted Chargors secures such obligations upon the whole of its property, undertaking, rights and assets, subject to:

(i) certain specified exceptions; and

(ii) in the case of SEW to:

    (a) the terms of the Instrument of Appointment (as defined below) and any requirements thereunder; and

    (b) any requirements under the Act (as defined below).

There is no intention to create further security for the benefit of the holders of Bonds issued after 25 August 2026. All Bonds issued by the Issuer under the Programme and any additional creditor of the Issuer acceding to the STID will share in the security (the "**Security**") constituted by the Security Documents.

In these Conditions:

"**Instrument of Appointment**" or the "**Licence**" means the instrument of appointment dated 14 December 2007 under sections 6, 7, 11 and 12 of the Water Industry Act 1991 (as amended) (the "**Act**") including modifications and variations made by Ofwat under sections 11 to 17 of the Act under which the Secretary of State for the Environment appointed SEW as a water undertaker under the Act for the areas described in the Instrument of Appointment, as modified or amended from time to time.

"**Restricted Chargors**" means each of the Issuer, the Cayman Issuer and SEW and any other entity which accedes to the Security Agreement pursuant to Clause 27.3 (Assignments and transfers) thereof that is restricted from providing guarantees by its regulatory or statutory obligations.

"**Obligors**" means the Issuer, SEW and SEWH.

(b) Relationship among Bondholders and with other Secured Creditors

The Bond Trust Deed contains 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 provides that the Security Trustee (except in relation to its Reserved Matters and Entrenched Rights (each as defined in the Master Definitions Agreement) and subject to certain exceptions) will act on instructions of the Majority Creditors (including the Bond Trustee as trustee for and representative of the holders of each Sub-Tranche of Wrapped Bonds (following the occurrence of an FG Event of Default in respect of the Financial Guarantor of such Wrapped Bonds which is continuing) and the holders of Unwrapped 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, enforce its rights with respect to the Security, 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 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 Common Terms Agreement).

(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 Issuer Covenants

So long as any of the Bonds remain Outstanding, the Issuer has agreed to comply with the covenants as set out in Schedule 4 of the Common Terms Agreement.

The Bond Trustee shall be entitled to rely absolutely on a certificate of any director of the 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 Rate and Accrual

Each Bond bears interest on its Principal Amount Outstanding as defined below (or as otherwise specified in the relevant Final Terms) from the Interest Commencement Date (as defined below) at the Interest Rate (as defined below), such interest being payable in arrear (unless otherwise specified in the relevant Final Terms) on each Interest Payment Date (as defined below). The amount of interest payable shall be determined in accordance with Condition 6(g) (Calculations).

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(j) (Definitions)).

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.

(b) 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 would otherwise fall on a day which is not a Business Day (as defined in Condition 6(j) (Definitions)), 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 first following day which is a Business Day;

(ii) the "**Modified Following Business Day Convention**", such date shall be postponed to the first following day which is a Business Day unless that day falls in the next calendar month in which case such date shall be the first preceding day that is a Business Day; or

(iii) the "**Preceding Business Day Convention**", such date shall be brought forward to the first preceding day that is a Business Day.

(c) Floating Rate Bonds

This Condition 6(c) is applicable only if the relevant Final Terms specifies the Bonds as Floating Rate Bonds. The Interest Rate in respect of Floating Rate Bonds for each Interest Period shall be determined in the manner specified herein and the provisions below relating to either (i) Screen Rate Determination or (ii) ISDA Determination shall apply, depending upon which is specified in the relevant Final Terms.

(i) 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 is to be determined, and the Reference Rate specified in the relevant Final Terms is SONIA, the Interest Rate for each Interest Period will be Compounded Daily SONIA plus or minus the Margin (as specified in the relevant Final Terms).

"**Compounded Daily SONIA**" means, with respect to each Interest Period, the rate of return of a daily compound interest investment (with the daily sterling overnight index average as the reference rate for the calculation of interest) and will be calculated by the Agent Bank (or the Calculation Agent, if applicable) on the relevant Interest Determination Date, in accordance with the following formula (and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 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 relevant 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 relevant Final Terms, the relevant Interest Period;

"**d**" is the number of calendar days in the Applicable Period;

"$\mathbf{d_o}$" 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 to, and including, the last 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;

"$\mathbf{n_i}$" 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 relevant Final Terms;

"**p**" is the number of London Banking Days included as the "Observation Look-back Period", as specified in the relevant Final Terms, being at least five London Banking Days and shall not be less than five London Banking Days without prior written approval of the Agent Bank (or the Calculation Agent, if applicable);

"$\mathbf{r_i}$" means:

(1) where "Lag" is specified as the Observation Method in the relevant 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 relevant Final Terms, in respect of any London Banking Day "i" falling in the relevant Reference Period, the SONIA Reference Rate;

"**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);

"**Relevant Screen Page**" means in respect of SONIA, €STR or any other Reference Rate (as applicable), such page, section or other part of a particular information service (including, without limitation, Bloomberg and Reuters) as may be specified in the applicable Final Terms for the purpose of determining the relevant Reference Rate, or such replacement page, section or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or entity providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the relevant Reference Rate; 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 Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (on the London Banking Day immediately following 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(i) (*Benchmark Discontinuation (SONIA and €STR)*), in respect of any London Banking Day in the relevant Reference Period, the Agent Bank (or the Calculation Agent, if applicable) determines that the SONIA Reference Rate is not available on the Relevant Screen 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 Relevant Screen 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 Relevant Screen Page (or otherwise published by the relevant authorised distributors).

In the event that the Interest Rate cannot be determined in accordance with the foregoing provisions but without prejudice to Condition 6(i) (*Benchmark Discontinuation (SONIA and €STR)*), the Interest Rate shall be: (A) that determined as at the last preceding Interest Determination Date (though substituting, 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, in place of the Margin or Maximum Interest Rate or Minimum Interest Rate 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 or any Maximum Interest Rate or Minimum Interest Rate applicable to the first Interest Period).

Notwithstanding the paragraphs above, but subject to Condition 6(i) (*Benchmark Discontinuation (SONIA and €STR)*), 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 Agent Bank (or the Calculation Agent, if applicable) shall, subject to receiving written instructions from the Issuer and to the extent 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. To the extent that any amendments or modifications to the Conditions, the Trust Deed or the Agency Agreement are required in order for the Agent Bank (or the Calculation Agent, if applicable) to follow such guidance in order to determine the Interest Rate, the Agent Bank (or the Calculation Agent, if applicable) 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.

If the Bonds either (a) become due and payable in accordance with Condition 11 (*Events of Default*), or (b) are redeemed before the Maturity Date specified in the relevant 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.

(ii) Screen Rate Determination for Floating Rate Bonds (€STR)

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate is to be determined, and the Reference Rate specified in the relevant Final Terms is €STR, the Interest Rate for each Interest Period will be Compounded Daily €STR plus or minus the Margin (as specified in the relevant Final Terms).

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

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{€STR_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

"**€ STR reference rate**" means, in respect of any TARGET Business Day ("**TBDx**"), is a reference rate equal to the daily euro short-term rate ("**€STR**") for such TBDx as provided by the European Central Bank as the administrator of €STR (or any successor administrator of such rate) on the website of the European Central Bank (or, if no longer published on its website, as otherwise published by it or provided by it to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the TARGET Business Day immediately following TBDx (in each case, at the time specified by, or determined in accordance with, the applicable methodology, policies or guidelines, of the European Central Bank or the successor administrator of such rate);

"**€STRi**" means the €STR reference rate for:

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

(ii) where "Observation Shift" is specified as the Observation Method in the relevant Final Terms, the relevant TARGET Business Day "i";

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

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

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

"d_o" means:

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

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

"**i**" is a series of whole numbers from one to "d_o", each representing the relevant TARGET Business Day in chronological order from (and including) the first TARGET Business Day in:

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

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

to (and including) the last TARGET Business Day in such Interest Period or, as the case may be, such Observation Period;

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

"**Observation Period**" means, in respect of an Interest Period, the period from (and including) the date falling "p" TARGET Business Days prior to the first day in such Interest Period to (but excluding) the date falling "p" TARGET Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" TARGET Business Days prior to such earlier date, if any, on which the Bonds become due and payable);

"**p**" is the number of TARGET Business Days included as the "Observation Look-back Period", as specified in the relevant Final Terms, being at least 5 TARGET Business Days; and

"**TARGET Business Day**" means any day on which T2 is open.

Subject to Condition 6(i) (*Benchmark Discontinuation (SONIA and €STR)*), if, where any Interest Rate is to be calculated pursuant this Condition 6(c)(ii), in respect of any TARGET Business Day in respect of which an applicable €STR reference rate is required to be determined, such €STR reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then the €STR reference rate in respect of such TARGET Business Day shall be the €STR reference rate for the first preceding TARGET Business Day in respect of which €STR reference rate was published by the European Central Bank on its website, as determined by the Issuer acting reasonably.

In the event that the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 6(c)(ii) but without prejudice to Condition 6(i) (*Benchmark Discontinuation (SONIA and €STR)*), the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, 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, in place of the Margin or Maximum Interest Rate or Minimum Interest Rate 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 or any Maximum Interest Rate or Minimum Interest Rate applicable to the first Interest Period).

Notwithstanding the paragraphs above, but subject to Condition 6(i) (*Benchmark Discontinuation (SONIA and €STR)*), if the European Central Bank publishes guidance as to (i) how the €STR reference rate is to be determined or (ii) any rate that is to replace the €STR reference rate, the Agent Bank (or the Calculation Agent, if applicable) shall, subject to receiving written instructions from the Issuer and to the extent reasonably practicable, follow such guidance in order to determine €STR for the purpose of the Bonds for so long as the €STR reference rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to the Conditions, the Trust Deed or the Agency Agreement are required in order for the Agent Bank (or the Calculation Agent, if applicable) to follow such guidance in order to determine the Interest Rate, the Agent Bank (or the Calculation Agent, if applicable) 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.

If the Bonds either (a) become due and payable in accordance with Condition 11 (*Events of Default*), or (b) are redeemed before the Maturity Date specified in the relevant 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 €STR formula); and the Interest Rate on the Bonds shall, for so long as the Bonds remain outstanding, be that determined on such date.

(iii) Screen Rate Determination for Floating Rate Bonds (SOFR)

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate is to be determined, and the Reference Rate specified in the relevant Final Terms is SOFR, the Interest Rate for each Interest Period will be Compounded Daily SOFR plus or minus the Margin (as specified in the relevant Final Terms).

For the purposes of this Condition:

"**Compounded Daily SOFR**" means, with respect to any Interest Period, the rate of return of a daily compound interest investment (with the daily Secured Overnight Financing Rate as the reference rate for the calculation of interest) as calculated by the Agent Bank (or the Calculation Agent, if applicable) on the relevant Interest Determination Date in accordance with the following formula (and the resulting percentage will be rounded if necessary to the nearest fifth decimal place, with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right]\times\frac{360}{d}$$

where:

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

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

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

"$\boldsymbol{d_o}$" is the number of U.S. Government Securities Business Days in:

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

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

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

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

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

to (and including) the last U.S. Government Securities Business Day in such Interest Period or, as the case may be, such Observation Period;

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

"**Observation Period**" means, in respect of an Interest Period, the period from, and including, the date falling "p" U.S. Government Securities Business Days prior to the first day in such Interest Period to (but excluding) the date falling "p" U.S. Government Securities Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" U.S. Government Securities Business Days prior to such earlier date, if any, on which the Bonds become due and payable);

"**p**" is the number of U.S. Government Securities Business Days included as the "Observation Look-back Period", as specified in the relevant Final Terms or relevant Drawdown Prospectus, being at least 5 U.S. Government Securities Business Days;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day:

(i) the Secured Overnight Financing Rate published for such U.S. Government Securities Business Day as such rate appears on the SOFR Administrator's Website at the SOFR Determination Time;

(ii) subject to Condition 6(c)(iv) (*Effect of Benchmark Transition Event on any SOFR-linked Floating Rate Bonds*), if the rate specified in (i) above does not so appear, the Secured Overnight Financing Rate as published in respect of the first preceding U.S. Government Securities Business Day for which the Secured Overnight Financing Rate was published on the SOFR Administrator's Website;

"**SOFR$_i$**" means, in respect of any U.S. Government Securities Business Day "i", the SOFR for:

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

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

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

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

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

"**SOFR Determination Time**" means, for any U.S. Government Securities Business Day, 3:00 p.m. (New York time) on the immediately following U.S. Government Securities Business Day.

If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 6(c)(iii) and a Benchmark Transition Event and its related Benchmark Replacement Date (each as defined below) have not occurred, the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, 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, in place of the Margin or Maximum Interest Rate or Minimum Interest Rate 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 or any Maximum Interest Rate or Minimum Interest Rate applicable to the first Interest Period).

Notwithstanding the paragraphs above, but subject to Condition 6(c)(iv) (*Effect of Benchmark Transition Event on any SOFR-linked Floating Rate Bonds*), if the SOFR Administrator publishes guidance as to (i) how SOFR is to be determined or (ii) any rate that is to replace SOFR, the Agent Bank (or the Calculation Agent, if applicable) shall, subject to receiving written instructions from the Issuer and to the extent reasonably practicable, follow such guidance in order to determine SOFR for the purpose of the Bonds for so long as the SOFR is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to the Conditions, the Trust Deed or the Agency Agreement are required in order for the Agent Bank (or the Calculation Agent, if applicable) to follow such guidance in order to determine the Interest Rate, the Agent Bank (or the Calculation Agent, if applicable) 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.

If the Bonds either (a) become due and payable in accordance with Condition 11 (*Events of Default*), or (b) are redeemed before the Maturity Date specified in the relevant 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 SOFR formula); and the Interest Rate on the Bonds shall, for so long as the Bonds remain outstanding, be that determined on such date.

(iv) Effect of Benchmark Transition Event on any SOFR-linked Floating Rate Bonds

In respect of Floating Rate Bonds referencing SOFR, if the Issuer determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Bonds in respect of all determinations on such date and for all determinations on all subsequent dates. In connection with the implementation of a Benchmark Replacement, the Issuer will have the right to make Benchmark Replacement Conforming Changes from time to time, without any requirement for the consent or approval of the Financial Guarantor(s), the Bondholders or the Couponholders.

For the avoidance of doubt, the Bond Trustee and the Agents, as applicable, shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Bondholders or Couponholders, be obliged to consent to such consequential amendments to the Bond Trust Deed, the Agency Agreement and the Conditions as the Issuer determines and certifies (upon which certification the Bond Trustee and the Agents, as applicable, may rely absolutely without further enquiry or liability) to the Bond Trustee and the Agents, as applicable, may be appropriate in order to give effect to this Condition 6(c)(iv) and neither the Bond Trustee nor the Agents, as applicable, shall be liable to any Bondholders, Couponholders or any other party for any consequence thereof. Neither Bondholder nor Couponholder consent shall be required in connection with the execution of any documents, amendments or other steps taken by the Bond Trustee and/or the relevant Agent(s) (if required) pursuant to this Condition 6(c)(iv). Notwithstanding any other provision of this Condition 6(c)(iv), the Bond Trustee and the Agents, as applicable, shall not be obliged to agree to or implement any such Benchmark Replacement Conforming Changes if the same would, in the sole opinion of the Bond Trustee and/or the relevant Agent(s) (as applicable), have the effect of increasing its obligations or duties or exposing it to any additional duties, responsibilities or liabilities against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or reducing or amending the rights and/or the protective provisions afforded to the Bond Trustee and/or the relevant Agent(s) (as applicable) in the Conditions, the Bond Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

Any determination, decision or election that may be made by the Issuer pursuant to this Condition 6(c)(iv), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection:

(A) will be conclusive and binding absent manifest error;

(B) will be made in the sole discretion of the Issuer; and

(C) notwithstanding anything to the contrary in the documentation relating to the Bonds, shall become effective without consent from the Bondholders, Couponholders or any other party and will not constitute a Basic Terms Modification for the purposes of the Bonds.

"**Benchmark**" means, initially, SOFR, as such term is defined in this Condition 6(c)(iv); provided that if the Issuer determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to SOFR (or the published daily SOFR used in the calculation thereof) or the then-current Benchmark, then Benchmark shall mean the applicable Benchmark Replacement;

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

(i) the sum of: (A) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (B) the Benchmark Replacement Adjustment;

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

(iii) the sum of: (A) the alternate rate of interest that has been selected by the Issuer as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate bonds at such time and (B) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee (which, for the avoidance of doubt, shall not be the Bond Trustee or any Agent) as of the Benchmark Replacement Date:

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

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

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

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably necessary);

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

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

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

For the avoidance of doubt, if the event that gives rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

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

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

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

(iii) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component) announcing that the Benchmark (or such component) is no longer representative;

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

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

"**Reference Time**" means, with respect to any determination of the Benchmark (i) if the Benchmark is Compounded SOFR, the SOFR Determination Time, and (ii) if the Benchmark is not Compounded SOFR, the time determined by the Issuer after giving effect to the Benchmark Replacement Conforming Changes;

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

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

Prior to effecting any Benchmark Replacement, Benchmark Replacement Adjustment or any Benchmark Replacement Conforming Changes pursuant to this Condition 6(c)(iv), the Issuer shall deliver to the Bond Trustee and the Agents a certificate signed by two Authorised Signatories of the Issuer:

(i) confirming (x) that a Benchmark Transition Event has occurred, (y) the relevant Benchmark Replacement and, (z) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 6(c)(iv); and

(ii) certifying that the relevant Benchmark Replacement Conforming Changes are appropriate to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

The Bond Trustee and the Agents shall be entitled to rely absolutely and without further enquiry or liability on such certificate (without liability to any Bondholder, Couponholder or other person and without any obligation to verify or investigate the accuracy thereof) as sufficient evidence thereof.

Following such certification, any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 6(c)(iv) will be notified promptly by the Issuer to the Bond Trustee, the Agents and, in accordance with Condition 17 (*Notices*), the Bondholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

If, in the case of any Benchmark Transition Event, Benchmark Replacement, Benchmark Replacement Adjustment and/or Benchmark Replacement Conforming Changes which are notified to the Agents pursuant to this Condition 6(c)(iv), the Agent Bank (or the Calculation Agent, if applicable) is in any way uncertain as to the application of such Benchmark Replacement, Benchmark Replacement Adjustment and/or Benchmark Replacement Conforming Changes in the calculation or determination of the Interest Rate for future Interest Periods, it shall promptly notify the Issuer thereof and the Issuer shall direct the Agent Bank (or the Calculation Agent, if applicable) in writing as to which course of action to adopt in the application of such Benchmark Replacement, Benchmark Replacement Adjustment and/or Benchmark Replacement Conforming Changes in the determination of such Interest Rate and the Agent Bank (or the Calculation Agent, if applicable) may rely on such direction (without enquiry or liability). If the Agent Bank (or the 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 Issuer thereof and the Agent Bank (or the 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.

If the Interest Rate cannot be determined in accordance with the foregoing provisions of this Condition 6(c)(iv), the Interest Rate shall be (A) that determined as at the last preceding Interest Determination Date (though substituting, 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, in place of the Margin or Maximum Interest Rate or Minimum Interest Rate 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 or any Maximum Interest Rate or Minimum Interest Rate applicable to the first Interest Period).

(v) 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 relevant ISDA Rate and the Margin 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:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 6(j) (*Definitions*));

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(iv) if the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the relevant ISDA Definitions), Compounding is specified to be applicable in the relevant Final Terms and:

   (a) Compounding with Lookback is specified as the Compounding Method in the relevant Final Terms, then (a) Compounding with Lookback is the Overnight Rate Compounding Method and (b) Lookback is the number of Applicable Business Days (as defined in the relevant ISDA Definitions) specified in the relevant Final Terms or relevant Drawdown Prospectus, which number shall not be less than five without the prior written agreement of the Agent Bank or the Calculation Agent, as applicable;

   (b) Compounding with Observation Period Shift is specified as the Compounding Method in the relevant Final Terms, then (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the relevant Final Terms which number shall not be less than five without the prior written agreement of the Agent Bank or the Calculation Agent, as applicable and (c) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions), if applicable, are the days specified in the relevant Final Terms; or

   (c) Compounding with Lockout is specified as the Compounding Method in the relevant Final Terms, then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days (as defined in the relevant ISDA Definitions) specified in the relevant Final Terms which number shall not be less than five without the prior written agreement of the Agent Bank or the Calculation Agent, as applicable and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Final Terms; and

(v) if the specified Floating Rate Option is an Overnight Floating Rate Option, Averaging is specified to be applicable in the relevant Final Terms and:

   (a) if Averaging with Lookback is specified as the Averaging Method in the relevant Final Terms then (a) Averaging with Lookback is the Overnight Rate Averaging Method and (b) Lookback is the number of Applicable Business Days (as defined in the relevant ISDA Definitions) specified in the relevant Final Terms;

(b) if Averaging with Observation Period Shift is specified as the Averaging Method in the relevant Final Terms then (a) Averaging with Observation Period Shift is the Overnight Rate Averaging Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days specified in the relevant Final Terms and (c) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions), if applicable, are the days specified in the relevant Final Terms; or

(c) if Averaging with Lockout is specified as the Averaging Method in the relevant Final Terms then (a) Averaging with Lockout is the Overnight Rate Averaging Method, (b) Lockout is the number of Lockout Period Business Days (as defined in the relevant ISDA Definitions) specified in the relevant Final Terms and (c) Lockout Period Business Days, if applicable, are the days specified in the relevant Final Terms;

(vi) if the specified Floating Rate Option is an Index Floating Rate Option (as defined in the relevant ISDA Definitions) and Index Provisions are specified to be applicable in the relevant Final Terms, the Compounded Index Method with Observation Period Shift shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the relevant Final Terms which number shall not be less than five without the prior written agreement of the Agent Bank or the Calculation Agent, as applicable and (b) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions) are the days, if applicable, specified in the relevant Final Terms);

(vii) if the specified Floating Rate Option is EUR-EURIBOR or EUR-EURIBOR Reuters and an Index Cessation Event occurs the Applicable Fallback Rate will be determined as if the Fallback Observation Day in respect of a Reset Date and the relevant Interest Period was five Business Days preceding the related Interest Payment Date;

(viii) references in the ISDA Definitions to:

(a) "**Confirmation**" shall be deemed to be references to the relevant 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;

(d) "**Effective Date**" shall be deemed to be references to the Interest Commencement Date; and

(e) "**Fallback Observation Day**" shall be deemed deleted in its entirety and replaced with the following: ""Fallback Observation Day" means, in respect of a Reset Date and the Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Payment Date",

(ix) if the relevant Final Terms specify "2021 ISDA Definitions" as the applicable ISDA Definitions:

(a) "Administrator/Benchmark Event" shall be disapplied; and

(b) if the Temporary Non-Publication Fallback for any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback – Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback – Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate",

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.

(d) Fixed Rate Bonds

This Condition 6(d) is applicable only if the relevant Final Terms specifies the Bonds as Fixed Rate Bonds.

The Interest Rate applicable to the Bonds for each Interest Period will be the fixed rate specified in the relevant Final Terms, subject to adjustment following any Coupon Step-Up Trigger Event as specified in the relevant Final Terms.

If Coupon Step-Up Trigger Event as specified as applicable in the relevant Final Terms and a Coupon Step-Up Trigger Event occurs, then the Issuer will cause the occurrence of such a Coupon Step-Up Trigger Event and any such Coupon Step-Up Trigger Event ceasing to be continuing to be notified to the Bond Trustee and the Agents and notice thereof to be published in accordance with Condition 17 (*Notices*) as soon as possible after such circumstances arising but in no event later than the tenth Business Day thereafter.

(e) Indexed Bonds

This Condition 6(e) is applicable only if the relevant Final Terms specifies the Bonds as Indexed Bonds.

Payments of principal on, and the interest payable in respect of, the Bonds will be subject to adjustment for indexation and to the extent set out in Condition 7(b) (Application of the Index Ratio). The Interest Rate applicable to the Bonds for each Interest Period will be at the rate specified in the relevant Final Terms.

(f) 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.

(g) ***Calculations***

The amount of interest payable per Calculation Amount (as defined in the relevant Final Terms) in respect of any Bond for each Interest Period shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount specified in the relevant Final Terms during that Interest Period by the Day Count Fraction (as defined in Condition 6(j) (*Definitions*) and, in the case of Indexed Bonds only, adjusted according to the indexation set out in Condition 7(b) (Application of the Index Ratio), unless an Interest Amount is specified in respect of such period in the relevant Final Terms, in which case the amount of interest payable per Calculation Amount in respect of such Bond for such Interest Period will equal such Interest Amount.

(h) ***Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts or Make-Whole Amounts***

Subject to Condition 6(i) (*Benchmark Discontinuation (SONIA and €STR))*, 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, the amount of an instalment of scheduled principal (an "**Instalment Amount**") or any Make-Whole 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*), calculate the Redemption Amount, Instalment Amount or Make-Whole 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 Issuer, the Bondholders and, to the extent required by the rules thereof, the Issuer shall notify 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 (if the reference rate is not SONIA); or (ii) the Interest Payment Date for the relevant Interest Period in the case of notification of an Interest Rate and Interest Amount (if the Reference Rate is SONIA), or (iii) 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 by the Issuer to each stock exchange or other relevant authority on which the relevant Sub-Tranche 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) shall not be obliged to publish each Interest Amount but instead 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) pursuant to this Condition 6 or Condition 7 (Indexation), shall (in the absence of manifest error) be final and binding upon all parties.

(i) Benchmark Discontinuation (SONIA and €STR)

(i) Independent Adviser

(A) If the 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 Issuer shall notify the Agent Bank (or the Calculation Agent, if applicable) of the occurrence of such Benchmark Event and use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate (in accordance with Condition 6(i)(ii) (*Successor Rate or Alternative Rate*)), failing which an Alternative Rate (in accordance with Condition 6(i)(ii) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread (in accordance with Condition 6(i)(iii) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 6(i)(iv) (*Benchmark Amendments*)). In making such determination, the Independent Adviser appointed pursuant to this Condition 6(i) 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 Issuer, the Bond Trustee, the Agents, or the Bondholders for any determination made by it, pursuant to this Condition 6(i).

(B) If (i) the 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(i)(i) the date falling 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(i)(i).

(ii) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in this Condition 6(i) 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(i)); or

(B) 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(i)).

(iii) Adjustment Spread

If the Independent Adviser determines (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) 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).

(iv) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 6(i) and the Independent Adviser, determines (A) 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 (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 17 (*Notices*), without any requirement for the consent or approval of Bondholders or Couponholders, 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 and such Benchmark Amendment will not constitute a Basic Terms Modification for the purposes of the Bonds.

At the request of the Issuer, but subject to receipt by the Bond Trustee and the Agents of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 17 (*Notices*), the Bond Trustee and the Agents shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Bondholders or Couponholders, be obliged to concur with the Issuer in using its reasonable endeavours to effect any Benchmark Amendments (including, *inter alia*, by the execution of a deed 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 and the Agents shall not be liable to any party for any consequences thereof.

Notwithstanding the above, the Bond Trustee and the Agents shall not be obliged so to concur if in the sole opinion of the Bond Trustee or any Agent doing so would increase its obligations or duties or expose it to any additional duties, responsibilities or liabilities against which it has not been indemnified and/or secured and/or prefunded to its satisfaction, or reduce or amend the rights and/or 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(i)(iv), the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

(v) Notices

Prior to effecting any Benchmark Amendments pursuant to Condition 6(i)(iv) (*Benchmark Amendments*), the Issuer shall deliver to the Bond Trustee and the Agents a certificate signed by two Authorised Signatories of the Issuer:

(A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate 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(i); and

(B) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

Following such certification, any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 6(i) will be notified promptly by the Issuer to the Bond Trustee and 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.

Each of the Bond Trustee 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 and the Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Bond Trustee, the Agents and the Bondholders.

(vi) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 6(i)(i) (*Independent Adviser*), Condition 6(i)(ii) (*Successor Rate or Alternative Rate*), Condition 6(i)(iii) (*Adjustment Spread*) and Condition 6(i)(iv) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 6(c)(i) (*Screen Rate Determination for Floating Rate Bonds (SONIA)*) and Condition 6(c)(ii) (*Screen Rate Determination for Floating Rate Bonds (€STR)*) will continue to apply unless and until the Issuer determines that a Benchmark Event has occurred.

(vii) Definitions

As used in this Condition 6(i):

"**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 is notified by the Issuer to the Agent Bank (or the Calculation Agent, if applicable) as being:

(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;

(b) (if no such recommendation has been made, or in the case of an Alternative Rate) 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;

(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); or

(d) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Bondholders as a result of the replacement of the Reference Rate with 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(i)(ii) (*Successor Rate or Alternative Rate*) and notifies the Agent Bank (or the Calculation Agent, if applicable) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Relevant Currency as the Bonds.

"**Benchmark Amendments**" has the meaning given to it in Condition 6(i)(iv) (*Benchmark Amendments*).

"**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; or

(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) by a specified future date (the "**Specified Future Date**"); or

(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 by a Specified Future Date permanently or indefinitely discontinued; or

(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 by a Specified Future Date prohibited from being used either generally, or in respect of the Bonds; or

(e) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, such Reference Rate is or will, by a Specified Future Date, be no longer representative of an underlying market; or

(f) it has or will by a Specified Future Date within the following six months become unlawful for any Paying Agent, the Agent Bank, the Calculation Agent, the 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 paragraphs (b), (c), (d) and (e) above, and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such Specified Future Date.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise selected and appointed by the Issuer at its own cost under Condition 6(i)(i) (*Independent Adviser*).

"**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.

"**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.

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

(j) Definitions

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

"**Business Day**" means:

(i) 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; 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 US 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 given in the relevant Final Terms.

"**Coupon Step-Up Trigger Event**" has the meaning given in the relevant Final Terms (if applicable).

"**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 actual number of days in the Calculation Period divided by the product of (x) the actual number of days in such Determination Period; and (y) the number of Determination Periods normally ending in any year; and

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

(x) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period; and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual 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/365**" or "**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**", "**360/360**" or "**Bond 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:

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

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" 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

"$\mathbf{D_2}$" 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:

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

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" 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

"$\mathbf{D_2}$" 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:

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

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" 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

"$\mathbf{D_2}$" 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,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Euro**" means the lawful currency of the Participating Member States;

"**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 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.

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

"**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 three Business Days in London prior to the first day of such Interest Period (or if the specified currency is sterling the first day of such Interest Period) (as adjusted in accordance with any Business Day Convention (as defined below) specified in the relevant Final Terms);

"**Interest Payment Date**" means the date(s) specified as such in the relevant Final Terms;

"**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 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Bonds of the relevant Sub-Tranche as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first tranche of Bonds of the relevant Sub-Tranche as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms, the 2021 ISDA Definitions (as amended and updated as at the date of issue of the first tranche of Bonds of the relevant Sub-Tranche 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, subject to any extension specified in the relevant Final Terms;

"**Maximum Interest Rate**" has the meaning given in the relevant Final Terms;

"**Minimum Interest Rate**" has the meaning given in the relevant Final Terms;

"**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, 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 Union which adopts the Euro as its lawful currency in accordance with the Treaty on the Functioning of the European Union, and "**Participating Member States**" means all of them;

"**Principal Amount Outstanding**" means, in relation to a Bond, Sub-Tranche or Tranche, the original face value thereof less any repayment of principal made to the Holder(s) thereof in respect of such Bond, Sub-Tranche or Tranche;

"**Redemption Amount**" means, the amount provided under Condition 8(b) (*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 Issuer in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the 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 Index Ratio)) has been received by the Principal Paying Agent, 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 Issuer;

"**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 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;

"**Resignation and Substitution Deed**" means the resignation and substitution deed dated the Effective Date and entered into between, among others, Capita IRG Trustees Limited and the Security Trustee;

"**Specified Denomination**" has the meaning given 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;

"**TARGET Settlement Day**" means any day on which T2 is open for settlement of payments in euro; and

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(k) Agent Bank, Calculation Agent and Reference Banks

(i) The 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 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 relevant office) is unable or unwilling to continue to act as a Reference Bank, then the 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 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.

(ii) Notwithstanding any other provision of this Condition 6, if in the Agent Bank's (or the 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, the Agent Bank (or the Calculation Agent, if applicable) shall promptly notify the Issuer thereof and the Issuer shall direct the Agent Bank (or the Calculation Agent, if applicable) in writing as to which alternative course of action to adopt. If the Agent Bank (or the 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 Issuer thereof and the Agent Bank (or the 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.

(iii) For the avoidance of doubt, for the period that the Agent Bank (or the Calculation Agent, if applicable) remains uncertain of the application of the Successor Rate, Alternative Rate and/or Adjustment Spread in the calculation or determination of any Interest Rate (or any component part thereof), the Original Reference Rate and the fallback provisions provided for in this Condition 6 will continue to apply.

(l) Determination or Calculation by Bond Trustee

[*Condition has been deleted*]

(m) 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, gross negligence, or manifest error) be binding on the Issuer, SEW, SEWH, 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 Issuer, SEW, SEWH, 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.

7 Indexation

This Condition 7 is applicable only if the relevant Final Terms specifies the Bonds as Indexed Bonds.

(a) Definitions

"**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 1985;

"**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;

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

(i) applicable to the first calendar day of any month shall, subject as provided in Conditions 7(c) and 7(e), be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or

(ii) applicable to any other day in any month shall, subject as provided in Conditions 7(c) and 7(e), be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in paragraph (i) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in paragraph (i) above and rounded to the nearest fifth decimal place;

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

(i) applicable to the first calendar day of any month shall, subject as provided in Conditions 7(c) and 7(e), be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or

(ii) applicable to any other day in any month shall, subject as provided in Conditions 7(c) and 7(e), be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in paragraph (i) above and (y) the

Index Figure applicable to the first calendar day of the month following, calculated as specified in paragraph (i) above and rounded to the nearest fifth decimal place;

"**His Majesty's Treasury**" means His Majesty's Treasury or any officially recognised party performing the function of a calculation agent (whatever such party's title), on its or its successor's behalf, in respect of the Indexed Benchmark Gilt or the Reference Gilt (as applicable);

"**Index**" means, subject as provided in Condition 7(c)(i), either RPI, CPI or CPIH as specified in the relevant Final Terms.

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

"**Index Ratio**" applicable to any Calculation Date means the Index Figure applicable to such Calculation Date divided by the Base Index Figure;

"**Indexed Benchmark Gilt**" means the index-linked sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded on the London Stock Exchange specified as such in the relevant Final Terms for so long as such obligation is in issue, and thereafter whose average maturity most closely matches that of the Bonds as a gilt-edged market maker or other independent adviser with recognised expertise selected by the Issuer (an "**Indexation Adviser**") shall determine to be appropriate;

"**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 12 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 12 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; and

"**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;

"**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 such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other independent adviser with recognised expertise selected by the Issuer (an "**Indexation Adviser**"); and

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

(i) applicable to a particular month, shall, subject as provided in Conditions 7(c) and 7(e), be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication; or

(ii) applicable to the first calendar day of any month shall, subject as provided in Conditions 7(c) and 7(e), be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or

(iii) applicable to any other day in any month shall, subject as provided in Conditions 7(c) and 7(e), be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in paragraph (ii) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in paragraph (ii) above and rounded to the nearest fifth decimal place.

(b) Application of the Index Ratio

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(f) (Rounding).

(c) Changes in Circumstances Affecting the Index

(i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the 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) shall be deemed to refer to the new date or month in substitution for January 1987 (where RPI is specified as the Index in the relevant Final Terms) or 2015 (where CPI or CPIH is specified as the Index in the relevant Final Terms) (or, as the case may be, to such other date or month 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 RPI if paragraph (i) of the definition of Index Figure for RPI is applicable: If the Index Figure which is normally published in the seventh month and which relates to the eighth month (the "**relevant month**") before the month in which a payment is due to be made is not published on or before the fourteenth business day before the date on which such payment is due (the "**date for payment**"), the Index Figure applicable to the month in which the date for payment falls shall be (1) such substitute index figure (if any) as the Indexation Adviser considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK Government for such purpose) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser 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)) before the date for payment.

(iii) Delay in publication of relevant Index if paragraph (i) and/or (ii) of the definition of Index Figure for CPI or CPIH is applicable or if paragraph (ii) and/or (iii) of the definition of Index Figure for RPI is applicable: If the Index Figure relating to any month (the "**calculation month**") which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth business day before the date on which such payment is due (the "**date for payment**"), the Index Figure applicable for the relevant calculation month shall be (1) such substitute index figure (if any) as the Indexation Adviser considers to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK Government for such purpose) for the purposes of indexation of payments on the Reference Gilt or the Indexed Benchmark Gilt (as applicable) or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser 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)) before the date for payment.

(d) Application of Changes

Where the provisions of Condition 7(c)(ii) or Condition 7(c)(iii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date of payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7(c)(ii)(2) or Condition 7(c)(iii)(2), the Index Figure relating to the relevant month or relevant calculation month, as the case may be, 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 shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7(c)(ii)(2) or Condition 7(c)(iii)(2), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and

(ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) Cessation of or Fundamental Changes to the Index

(i) Fundamental changes to the relevant Index:

a. CPI and CPIH: Where CPI or CPIH is specified in the relevant Final Terms as the Index and:

i. if notice is published by His Majesty's Treasury, or on its behalf, following a change to the coverage or the basic calculation of such Index, then the Issuer, acting reasonably, shall make any such adjustments to the Index consistent with any adjustments made to the Index as applied to the relevant Indexed Benchmark Gilt; or

ii. any change is made to the coverage or the basic calculation of such Index which constitutes a fundamental change which would, in the opinion of the Issuer (acting solely on the advice of an Indexation Adviser), be materially prejudicial to the interests of the

Issuer or the Bondholders, as the case may be, the Issuer shall give written notice of such occurrence to the Bond Trustee.

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

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

b. Where RPI is specified in the relevant Final Terms as the Index and if notice is published by His Majesty's Treasury, or on its behalf, following a change to the coverage or the basic calculation of such Index, then the Issuer, acting reasonably, shall make any such adjustments to the Index consistent with any adjustments made to the index as applied to the Reference Gilt

(ii) If (1) the Issuer has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the relevant Index has ceased to be published; or (2) if His Majesty's Treasury or the Office for the National Statistics, as the case may be, or a person acting on its behalf, announces that it has ceased to publish the relevant Index, then the Issuer shall determine a successor index *in lieu* of any previously applicable index (the "**Successor Index**") by using the following methodology:

a. if at any time a successor index has been designated by His Majesty's Treasury in respect of the Reference Gilt, such successor index shall be designated the "**Successor Index**" for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraph (b) or (c) below. This provision will only be applicable when RPI is specified in the relevant Final Terms as the Index; or

b. the Issuer and the 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 Issuer and the Bondholders in no materially better and no materially worse position than they would have been had the Index not ceased to be published. If the relevant Final Terms specify RPI as the Index then this paragraph (b) will only be applicable provided the Successor Index has not been determined under paragraph (a) above; or

c. if the Issuer and the Indexation Adviser fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (ii), a bank or other person in London shall be appointed by the Issuer and the Indexation Adviser or, failing agreement on and the making of such appointment within 20 business days following the expiry of the 20 day period referred to above, by the 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 Issuer and the Bondholders in no materially better and no materially worse position than they would have been had the Index not ceased to be published. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Bond Trustee in connection with such appointment shall be borne by the Issuer.

(iii) Where the Index is adjusted or replaced by a Successor Index pursuant to the foregoing paragraphs, as the case may be, the following amendments shall automatically apply to these Conditions with effect from the date on which such adjustment or replacement takes effect (the "**Index Transition Date**") and shall be binding upon the Issuer, the Bond Trustee, the Bondholders and the Financial Guarantor(s) (if any), without the need for any further consent or agreement:

a. all references in these Conditions to "the Index" shall be construed as references to the Successor Index (as adjusted, if applicable);

b. all references in these Conditions to any "Index Figure" shall be construed as references to the corresponding figure published or determined in respect of the Successor Index;

c. the Base Index Figure shall be deemed to be replaced by such figure for the Successor Index as the Indexation Adviser determines (acting as an expert) to be the figure which, as at the date of the original Base Index Figure, provides economic equivalence to the original Base Index Figure, taking into account any adjustment factor or conversion coefficient formally published or recommended by the administrator of the original Index, the administrator of the Successor Index, or any Relevant Nominating Body;

d. where any Adjustment Spread is determined by the Indexation Adviser (or the Expert, as applicable) to be necessary to account for any quantitative difference between the original Index and the Successor Index (including, without limitation, any difference arising from changes in methodology, coverage or base period), such Adjustment Spread shall be applied to each relevant Index Figure under the Successor Index for the purposes of all calculations under these Conditions;

e. references in these Conditions to the publication source for the Index shall be construed as references to the equivalent publication source for the Successor Index, as notified by the Indexation Adviser to the Issuer and the Bond Trustee; and

f. any other defined terms in these Conditions which refer to or are derived from the Index (including, without limitation, "Index Ratio", "Limited Index Ratio", "Limited Indexation Factor" and "Index Event") shall be construed with such modifications as are strictly necessary to give effect to the substitution and to preserve, so far as is reasonably practicable, the economic position of the Issuer and the Bondholders.

The Indexation Adviser shall deliver to the Issuer, the Bond Trustee, the Agent Bank and if applicable, the Calculation Agent, a written notice (an "**Index Transition Notice**") specifying:

(1) the identity of the Successor Index; (2) the Index Transition Date; (3) the revised Base Index Figure (if applicable); (4) the Index Adjustment Spread (if any); and (5) the publication source for the Successor Index, and the Obligors shall give notice to the Bondholders in accordance with Condition 17 (*Notices*) of such matters as promptly as practicable following receipt of such Index Transition Notice. For the avoidance of doubt, the Bond Trustee shall not be required to assess the adequacy of any determination made by the Indexation Adviser (or the Expert) pursuant to this Condition and shall be entitled to rely conclusively on any such determination without liability to any person.

(iv) Notwithstanding any other provision of this Condition 7:

a. if in the Agent Bank's (or the 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 7, the Agent Bank (or the Calculation Agent, if applicable) shall promptly notify the Issuer thereof and the Issuer shall direct the Agent Bank (or the Calculation Agent, if applicable) in writing as to which alternative course of action to adopt. If the Agent Bank (or the 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 Issuer thereof and the Agent Bank (or the 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; and

b. for the avoidance of doubt, none of the Bond Trustee, the Agent Bank, the Calculation Agent or the Principal Paying Agent shall be obliged to concur with the Issuer in respect of any amendments to reflect the Index Transition Notice which, in the sole opinion of the Bond Trustee, the Agent Bank, the Calculation Agent or the Principal Paying Agent (as applicable), would have the effect of (i) exposing such party to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of such party in the Bond Trust Deed, the Agency Agreement and/or these Conditions.

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)), 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 and, in the case of Indexed Bonds as adjusted in accordance with Condition 7(b), subject to any automatic extension of such of the maturity date to a date stated in the relevant Final Terms upon the satisfaction on the applicable assessment date of the conditions to such automatic extension, each as set out in the relevant Final Terms.

(b) Optional Redemption

Subject as provided below, upon giving not more than 30 nor less than 15 days' notice to the Bond Trustee and the Bondholders, and no less than 5 days' notice to the relevant clearing systems, the Issuer may (prior to the Maturity Date) redeem any Sub-Tranche of the Bonds in whole or in part (but on a *pro rata* basis only) on any Optional Redemption Date specified in the relevant Final Terms at their

Redemption Amount, provided that Floating Rate Bonds may not be redeemed before the date specified in the relevant Final Terms, 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 (i) their Principal Amount Outstanding; and (ii) the price determined to be appropriate by a financial adviser in London (selected by the Issuer) 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 3:00 p.m. (London time) on the Reference Date on the Reference Gilt (as defined below) while that stock is in issue, and thereafter such UK government stock (or such other stock as specified in the relevant Final Terms for Bonds denominated in currencies other than Sterling) as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer) determine to be appropriate, 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(b)(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*" published 8 June 1998 and updated on 15 January 2002, 16 March 2005 and 18 December 2024 (and as further updated, supplemented, amended or replaced from time to time) page 4 or any replacement therefor; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(b)(i); "**Redemption Margin**" means the margin specified in the relevant Final Terms, and "**Reference Gilt**" means the Treasury Stock specified in the relevant Final 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 (i) the Principal Amount Outstanding; and (ii) 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 Issuer) 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 while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market, (selected by the Issuer), determine to be appropriate, plus the Redemption Margin, plus accrued but unpaid interest (as adjusted in accordance with Condition 7(b) (*Applications of the Index Ratio*)) on the Principal Amount Outstanding.

    For the purposes of this Condition 8(b)(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*" published 8 June 1998 and updated on 15 January 2002, 16 March 2005 and 18 December 2024 (and as further updated, supplemented, amended or replaced from time to time), pages 6 to 10 in respect of Indexed Bonds where "8 months lag" is specified in the relevant Final Terms or pages 11 to 12 in respect of Indexed Bonds where "3 months lag" is specified in the relevant Final Terms or any replacements therefor, "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under Condition 8(b)(iii);

"**Redemption Margin**" means the margin specified in the relevant Final Terms; and "**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms.

In any such case, prior to giving any such notice, the 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.

(c) Redemption for Index Event, Taxation or Other Reasons

Redemption for Index Events: Upon the occurrence of any Index Event (as defined below), the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee, the Majority Creditors 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-Tranches on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (Application of Index Ratio)) plus accrued but unpaid interest. No single Sub-Tranche of Indexed Bonds may be redeemed in these circumstances unless all the other Tranches and Sub-Tranches of Indexed Bonds are also redeemed at the same time and the Issuer has discharged all amounts due and payable to any Financial Guarantor that has issued a Financial Guarantee in respect of such Tranche or Sub-Tranche of Indexed Bonds. Before giving any such notice, the Issuer shall provide to the Bond Trustee, the Security Trustee, the Majority Creditors and the relevant Financial Guarantor(s) a certificate signed by an Authorised Signatory (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption and payment to the relevant Financial Guarantor(s).

"**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) and the Issuer and the Bond Trustee have 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 or Indexed Benchmark Gilt (as applicable), and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing.

Redemption for Taxation Reasons: In addition, if at any time the Issuer satisfies the Bond Trustee that the 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 Issuer is substituted for a company incorporated under or tax resident in another jurisdiction as permitted in accordance with these Terms and Conditions, such other jurisdiction or, in each case, any political subdivision thereof, or any other authority thereof, then the 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 Issuer/SEW Loan Agreements and as obligor under the Finance Documents upon satisfying the conditions for substitution of the Issuer as set out in the STID (and referred to in Condition 15 (Meetings of Bondholders, Modification, Waiver and Substitution)). If the 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 Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee, the Majority 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)). Before giving any such notice of redemption, the Issuer shall provide to the Bond Trustee, the Security Trustee and the Majority Creditors and the relevant Financial Guarantors a certificate signed by an Authorised Signatory (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and (b) confirming that the 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.

(d) Redemption on Prepayment of Issuer/SEW Loan Agreements

If SEW gives notice to the Issuer under an Issuer/SEW Loan Agreement that it intends to prepay all or part of any advance made under such Issuer/SEW Loan Agreement and such advance was funded by the Issuer from the proceeds of the issue of a Sub-Tranche of Bonds, the Issuer shall, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee, the Majority Creditors, the relevant Financial Guarantors 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-Tranche or (where part only of such advance is being prepaid) the proportion of the relevant Sub-Tranche 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(b) (Optional Redemption) except that, in the case of Fixed Rate Bonds and Indexed Bonds, for the purposes of this Condition 8(d), "**Reference Date**" means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 8(d), 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.

(e) Issuer Call Option – Coupon Step-Up Trigger Event

This Condition 8(e) (*Issuer Call Option – Coupon Step-Up Trigger Event*) is applicable only if the relevant Final Terms specifies the Bonds are Fixed Rate Bonds, that Coupon Step-Up Trigger Event is applicable and that Issuer Call Option – Coupon Step-Up Trigger Event is applicable.

At any time when a Coupon Step-Up Trigger Event has occurred and is continuing, the Issuer may, upon giving not more than 30 nor less than 10 days' notice to the Bond Trustee, the Security Trustee and the Bondholders in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Bonds on at their Principal Amount Outstanding plus accrued but unpaid interest thereon.

(f) Purchase of Bonds

The Issuer may, provided that no Event of Default has occurred and is continuing, purchase Bonds in the open market or otherwise at any price and such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent or the Registrar, as the case may be, for cancellation (provided that in the case of Bonds surrendered for cancellation all unmatured Receipts and Coupons and unexchanged Talons (if any) appertaining thereto are attached or surrendered therewith).

If not all the Bonds which are in registered form are to be purchased, upon surrender of the existing Individual Bond Certificate, the Registrar shall forthwith upon the written request of the Bondholder concerned issue a new Individual Bond Certificate in respect of the Bonds which are not to be purchased and despatch such Individual Bond Certificate 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 Global Bond Certificate (as defined below), the relevant Global Bond or Global Bond Certificate will be endorsed to reflect the Principal Amount Outstanding of Bonds to be so redeemed or purchased.

(g) 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.

(h) Cancellation

In respect of all Bonds purchased by or on behalf of the Issuer to be cancelled pursuant to Condition 8(e), 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 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 Issuer in respect of any such Bonds shall be discharged.

(i) 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(b) (Optional Redemption) above.

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) above and annotation of such payment on the Register and the relevant 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 if joint holders) on the fifteenth day before the due date for payment thereof (the "**Record Date**"). 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 (a) the principal financial centre of the country of the currency concerned, provided that such currency is not Euro; or (b) 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 (a) the principal financial centre of the country of that currency provided that such currency is not Euro; or (b) 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 Global Bond Certificate 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 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 Issuer, adverse tax consequences to the 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 this Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (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 Global Bond Certificate shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Bond or Global Bond Certificate (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Bond or Global Bond Certificate 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 Issuer (and their 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 Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The 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 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 and/or admitted to trading on the London Stock Exchange 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 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.

(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 Issuer, the Guarantors, any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or, in respect of Wrapped Bonds, the Financial Guarantors) 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 Issuer, the Guarantors, any Paying Agent or the Registrar or, where applicable, the Bond Trustee, the Security Trustee or the Financial Guarantor 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 Issuer, the Guarantors, such Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or the Financial Guarantor, 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 Issuer, the Guarantors, any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or the Financial Guarantor will be obliged to make any additional payments to the Bondholders, Receiptholders or the Couponholders in respect of such withholding or deduction. The Issuer, the Guarantors, any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or the Financial Guarantor 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.

If the Issuer is obliged to make any such deduction or withholding, the amount so deducted or withheld is not guaranteed by the Financial Guarantor.

11 Events of Default

The Events of Default (as defined in the Master Definitions Agreement) relating to the Bonds are set out in Schedule 6 of the Common Terms Agreement.

Following the notification of an Event of Default in respect of the Issuer, the STID provides for a Standstill Period (as defined in the Master Definitions Agreement) to commence and for restrictions to apply to all Secured Creditors of SEW. The Common Terms Agreement also contains various Trigger Events that will, if they occur, (among other things) permit the Majority Creditors to commission an Independent Review, require SEW to discuss its plans for appropriate remedial action and prevent the SEW Financing Group from making further Restricted Payments until the relevant Trigger Events have been remedied.

(a) Events of Default

If any Event of Default occurs and is continuing in relation to the Issuer, 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), having certified in writing that in its opinion the happening of such event is materially prejudicial to the interests of the Bondholders 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-Tranches of Bonds or (ii) in writing by holders of at least one quarter in outstanding nominal amount of the relevant Sub-Tranches of Bonds, and subject, in each case, to being indemnified and/or secured to its satisfaction, give notice to the Issuer and the Security Trustee that the Bonds of the relevant Sub-Tranche are, and they shall immediately become, due and repayable, at their respective Redemption Amounts determined in accordance with Condition 8(b) (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 Issuer, pursuant to the terms of the Common Terms Agreement, shall provide written confirmation to the Bond Trustee, on an annual basis, that no Event of Default has occurred in relation to the Issuer.

(c) Enforcement of Security

If the Bond Trustee gives written notice to the Issuer and the Security Trustee that an Event of Default has occurred under the Bonds of any Sub-Tranche, 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.

(d) Automatic Acceleration

In the event of the acceleration of the Secured Liabilities (other than a Permitted Share Pledge Acceleration, a Permitted Hedge Termination or a Permitted Lease Termination (as defined in the Master Definitions Agreement) 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(b) (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 Issuer

No Bondholder is entitled to take any action against the Issuer or, in the case of the holders of Wrapped Bonds, against the Financial Guarantor or against any assets of the Issuer or any Financial Guarantor to enforce its rights in respect of the Bonds or to enforce any of the Security or to enforce any Financial Guarantee 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 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 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 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 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 10 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 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

The STID contains provisions dealing with the manner in which 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 (and additionally in a Default Situation (as defined in the Master Definitions Agreement) decisions made pursuant to the Emergency Instruction Procedure (as set out in Clause 9.12 of the STID)).

In the circumstances which do not relate to Entrenched Rights or Reserved Matters of the Bondholders (as set out in the STID), the Bond Trustee shall be entitled to vote as the DIG Representative of holders of each Sub-Tranche of Wrapped Bonds (following the occurrence of an FG Event of Default in respect of the Financial Guarantor of those Wrapped Bonds which is continuing) and of each Sub-Tranche of Unwrapped Bonds on intercreditor issues ("**Intercreditor Issues**") but shall not be entitled to convene a meeting of any one or more Sub-Tranches of Bondholders to consider the relevant matter unless a Default Situation is subsisting. If a Default Situation has occurred and is subsisting, the Bond Trustee may vote on Intercreditor Issues in its absolute discretion or shall vote in accordance with a direction by those holders of such Outstanding Bonds (i) by means of an Extraordinary Resolution of the relevant Sub-Tranche of Bonds; or (ii) (in respect of a DIG Proposal to terminate a Standstill) as requested in writing by the holders of at least one quarter of the Principal Amount Outstanding of the relevant Sub-Tranche of Bonds then Outstanding. In any case, the Bond Trustee shall not be obliged to vote unless it has been indemnified and/or secured to its satisfaction.

Whilst a Default Situation is subsisting, certain decisions and instructions may be required in a timeframe which does not allow the Bond Trustee to convene Bondholder meetings. To cater for such circumstances, the STID provide for an emergency instruction procedure. The Security Trustee will be required to act upon instructions contained in an emergency notice (an "**Emergency Instruction Notice**"). An Emergency Instruction Notice must be signed by DIG Representatives (the "**EIN Signatories**") representing 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Senior Debt or following repayment in full of the Senior Debt after, *inter alia*, excluding the proportion of Qualifying Debt in respect of which the Bond Trustee is the DIG Representative and in respect of which the Bond Trustee has not voted. The Emergency Instruction Notice must specify the emergency action which the Security Trustee is being instructed to take and must certify that, unless such action is taken within the time frame specified in the Emergency Instruction Notice, the interests of the EIN Signatories will be materially prejudiced.

(b) Meetings of Bondholders

The Bond Trust Deed contains provisions for convening meetings of the Bondholders 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, (in the case of Wrapped Bonds) the Financial Guarantees 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 including, in the case of any of the Wrapped Bonds, to Entrenched Rights or Reserved Matters of any Financial Guarantor (as set out in the STID) and subject to the provisions concerning ratification and/or meetings of particular combinations of Sub-Tranches 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 Issuer, and shall be convened by the 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 nominal amount of the relevant Bonds for the time being Outstanding or, at any adjourned meeting, one or more persons being or representing Bondholders, whatever the nominal amount 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-Tranche of Bonds may be sanctioned only by an Extraordinary Resolution passed at a meeting of Bondholders of the relevant Sub-Tranche of Bonds at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter in nominal amount of the Outstanding 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 all Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders under the Bond Trust Deed 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.

(c) Modification, consent and waiver

As more fully set out in the Bond Trust Deed (and subject to the conditions and qualifications therein), the Bond Trustee may, without the consent of the Bondholders of any Sub-Tranche, concur with the Issuer or any other relevant parties in making (i) any modification of these Conditions, the Bond Trust Deed, any Financial Guarantee or any Finance Document which is of a formal, minor or technical nature or is made to correct a manifest error; and (ii) (except as mentioned in the Bond Trust Deed and subject to the terms of the STID) any other modification and granting any consent under or waiver or authorisation of any breach or proposed breach of these Conditions, the Bond Trust Deed, such Financial Guarantee or any such Finance Document or other document which is, in the opinion of the Bond Trustee, not materially prejudicial to the interests of the Bondholders of that Sub-Tranche. Any such modification, consent, waiver or authorisation shall be binding on the Bondholders of that Sub-Tranche, and the holders of all relevant Receipts and Coupons and, if the Bond Trustee so requires, notice thereof shall be given by the Issuer to the Bondholders of that Sub-Tranche as soon as practicable thereafter.

The Bond Trustee shall be entitled to assume that any such modification, consent, waiver or authorisation is not materially prejudicial to the Bondholders if the Rating Agencies confirm that there will not be any adverse effect thereof on the original issue ratings of the Bonds.

(d) Substitution of the 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 Issuer, without reference to the Bondholders, to the substitution of another corporation in place of the Issuer as principal debtor in respect of the Bond Trust Deed and the Bonds of all Series and subject to the Wrapped Bonds continuing to be subject to a Financial Guarantee of the relevant Financial Guarantor.

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, any Financial Guarantee 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 relevant Series of Bonds then Outstanding provided that, if the Bond Trustee considers, in its sole opinion, that there is a conflict of interest between the holders of two or more Sub-Tranches of Bonds of such Tranche, it shall consider the interests of the holders of the Sub-Tranche of Bonds with the shortest dated maturity and will not have regard to the consequences of such exercise for the holders of other Sub-Tranches 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 Issuer or any Financial Guarantor, nor shall any Bondholders be entitled to claim from the Issuer, any Financial Guarantor 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

Except as otherwise provided in these Conditions and the Bond Trust Deed, when exercising any rights, powers, trusts, authorities and discretions relating to or contained in these Conditions or the Bond Trust Deed (other than in determining or in respect of any Entrenched Right or Reserved Matter relating to the Bonds or any other Basic Terms Modification), which affects or relates to any Wrapped Bonds, the Bond Trustee shall only act with the consent of the relevant Financial Guarantor(s) (provided no FG Event of Default has occurred and is continuing) in accordance with the provisions of the Bond Trust Deed and the Bond Trustee shall not be required to have regard to the interests of the Bondholders in relation to the exercise of such rights, powers, trusts, authorities and discretions and shall have no liability to any Bondholders as a consequence of so acting. As a consequence of being required to act only with the consent of the relevant Financial Guarantor(s) in the circumstances referred to in the previous sentence, the Bond Trustee may not, notwithstanding the provisions of these Conditions, be entitled to act on behalf of the holders of any Sub-Tranches of Bonds. Subject as provided in these Conditions and the Bond Trust Deed, the Bond Trustee will exercise its rights under, or in relation to, the Bond Trust Deed, the Conditions or any Financial Guarantee 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 (i) (a) (in respect of the matters set out in Condition 11 (Events of Default) and Condition 15(a) (Decisions of the Majority Creditors) only) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the relevant Sub-Tranches of Bonds Outstanding; or (b) been so directed by an Extraordinary Resolution; and (ii) been indemnified and/or furnished with security 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 and (in a Default Situation) decisions made pursuant to the Emergency Instructions Procedures 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 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 Issuer, any Financial Guarantor and or any other person unless indemnified and/or secured 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 Issuer, any Financial Guarantor, 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) and if indemnified to its satisfaction.

(c) Directions, Duties and Liabilities

Neither the Security Trustee nor the Bond Trustee, in the absence of its own wilful default, 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), 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), the relevant Financial Guarantee (if any) and the other Finance Documents are, and all matters arising from or in connection with such documents shall be governed by, and shall be construed in accordance with, 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, the relevant Financial Guarantee (if any) 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) the relevant Financial Guarantee (if any) and/ or the Finance Document may be brought in such courts. The Issuer has in each of the Finance Documents irrevocably submitted to the jurisdiction of 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.

Forms of the Bonds

Form and Exchange – Bearer Bonds

Each Sub-Tranche 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, 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 §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Bonds.

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-Tranche 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 of interest 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 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 seven 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-Tranche of Bonds with the Sub-Tranche 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 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 specifies "in the limited circumstances described in the Permanent Global Bond", then if (a) Euroclear or 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 (b) any of the circumstances described in Condition 11(a) (Events of Default) occurs; or
- the 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 Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive 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 Bonds

If the relevant Final Terms specifies the form of Bonds as being "Temporary Global Bond exchangeable for Definitive 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 Bonds not earlier than 40 days after the issue date of the relevant Sub-Tranche of the Bonds.

If the relevant Final Terms specifies the form of Bonds as being "Temporary Global Bond exchangeable for Definitive 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 Bonds not earlier than 40 days after the issue date of the relevant Sub-Tranche 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 Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive 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 Bonds

If the relevant Final Terms specifies the form of Bonds as being "Permanent Global Bond exchangeable for Definitive 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 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 specifies "in the limited circumstances described in the Permanent Global Bond", then if (a) Euroclear or 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 (b) any of the circumstances described in Condition 11(a) (Events of Default) occurs; or
- the 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 Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive 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 Bonds, such Definitive Bonds shall be issued in Specified Denomination(s) only. A Bondholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive 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 Bond will be endorsed on that Bond and will consist of the Conditions set out under "*Terms and Conditions of 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 Bond to the extent described under "*Provisions Relating to the Global Bonds*".

Legend concerning United States persons

Global Bonds and Definitive Bonds having a maturity of more than 365 days and any 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 Bond, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such 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 – Global Bond Certificates

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.

Global Bond Certificates

Registered Bonds held in Euroclear and/or Clearstream, Luxembourg and/or any other clearing system will be represented by a global bond certificate (each a "**Global Bond Certificate**") 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-Tranche.

Exchange

The Global Bond Certificate will become exchangeable in whole, but not in part, for individual bond certificates (each an "**Individual Bond Certificate**") 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; (b) any of the circumstances described in Condition 11(a) (Events of Default) occurs; (c) at any time at the request of the registered Holder if so specified in the Final Terms; or (d) the 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 Global Bond Certificate.

Whenever the Global Bond Certificate is to be exchanged for Individual Bond Certificates, such will be issued in an aggregate principal amount equal to the principal amount of the Global Bond Certificate within seven business days of the delivery, by or on behalf of the registered Holder of the Global Bond Certificate to the Registrar or the Transfer Agents (as the case may be) of such information as is required to complete and deliver such Individual Bond Certificates (including the names and addresses of the persons in whose names the Individual Bond Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Bond Certificate 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 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 Issuer all those rights to which they would have been entitled if, immediately before the Global Bond or Global Bond Certificate 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 Global Bond Certificate.

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 Global Bond Certificate (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 Issuer or, in the case of Wrapped Bonds, the relevant Financial Guarantor, to such Accountholder and in relation to all other rights arising under the Global Bond or Global Bond Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Bond or Global Bond Certificate 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 Global Bond Certificate, Accountholders shall have no claim directly against the Issuer or, in the case of Wrapped Bonds, the relevant Financial Guarantor in respect of payments due under the Bonds and such obligations of the Issuer and, in the case of Wrapped Bonds, the relevant Financial Guarantor will be discharged by payment to the bearer of the Global Bond or the registered holder of the Global Bond Certificate, 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:

- *Meeting:* The holder of a Global Bond or Global Bond Certificate 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 Global Bond Certificate shall be treated as having one vote in respect of each minimum denomination of Bonds for which such Global Bond or Global Bond Certificate may be exchanged.

- *Cancellation:* Cancellation of any Bond represented by a Global Bond or Global Bond Certificate 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 Global Bond Certificate.

- *Notices:* So long as any Bonds are represented by a Global Bond or Global Bond Certificate and such Global Bond or Global Bond Certificate 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. Such notices shall be deemed to have been received by the Bondholders on the date of delivery to such clearing systems.

PRO FORMA FINAL TERMS

Final Terms dated [●]

Set out below is the form of Final Terms which will be completed for each Tranche of Bonds which are issued under the Programme with a denomination of at least €100,000 (or its equivalent in another currency) pursuant to this Prospectus.

PLEASE CAREFULLY READ THE PROSPECTUS AND THE RISK FACTORS IN THE PROSPECTUS. EACH INVESTOR SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISORS ABOUT THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE BONDS AND THE SUITABILITY OF AN INVESTMENT IN THE BONDS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

PROHIBITION OF SALES 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 European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97, 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. 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, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is either one (or both) of: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended, varied, superseded or substituted from time to time ("**EUWA**") or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently, no disclosure document is required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

[**MiFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer'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 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 eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer'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 EUWA ("**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 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.]

[The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") and may not be offered or sold in the United States or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) unless the Bonds are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. See "*Form of the Bonds*" for a description of the manner in which Bonds will be issued. Bonds are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*".]

South East Water Issuer PLC
Legal entity identifier (LEI): 213800LRMZKO8IC23249

Issue of [Sub-Tranche [-[●]Aggregate Nominal Amount of Tranche] [Title of Bonds]

[Unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest
by
[relevant Financial Guarantor]]

under the £2,000,000,000 Guaranteed Bond Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (the "**PRM**"). Full information on the Issuer, the Guarantor(s) and the offer of the Bonds described herein is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].]

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated [*original date*] [and the supplement(s) to it dated [●]] which are incorporated by reference in the Prospectus dated [*current date*]. This document constitutes the Final Terms of the Bonds described herein for the purposes of the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (the "**PRM**") and must be read in conjunction with the Prospectus dated [*current date*] [and the supplement(s) to it dated [●]], which [together] constitute[s] a base prospectus for the purposes of the PRM (the "**Prospectus**") in order to obtain all the relevant information, save in respect of the conditions which are extracted from the Prospectus dated [*original date*] [and the supplement(s) to it dated [●]]. The Prospectus has been published on [Issuer's/financial intermediaries'/ London Stock Exchange's] website.]

[Repayment of the principal and payment of any interest or premium in connection with the Bonds has not been guaranteed by any Financial Guarantor (as referred to below) or by any other financial institution.]

1	(i)	Issuer:	South East Water Issuer PLC
	(ii)	Guarantors:	South East Water Limited and South East Water (Holdings) Limited
	(iii)	[Financial Guarantors:	[●]]
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(iii)	Sub-Tranche Number:	[●]
	(iv)	Date on which the Bonds become fungible:	[Not Applicable/The Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Bond for interests in the Permanent Global Bond, as referred to in paragraph [24] below [which is expected to occur on or about [insert date]]].]
3	Specified Currency or Currencies:		[●]
4	Aggregate Nominal Amount of Bonds:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
	(iii)	Sub-Tranche:	[●]
5	(iv)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●].
	(v)	Net Proceeds:	[●]
6	(i)	Specified Denominations:	[€100,000 and integral multiples [€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:	[●]
8	Maturity Date:		[●] [or, [●], if on [●] if the following conditions are satisfied: [●]]
9	Interest Basis:		[[●] per cent. Fixed Rate] [[●]+/– [●] per cent. Floating Rate] [Index Linked Interest] (further particulars specified below)
10	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Instalment]
11	Change of Interest or Redemption/Payment Basis:		[[●]/Not Applicable]

12	Put/Call Options:		[Issuer Call][Issuer Call Option – Coupon Step-up Trigger Event] [(further particulars specified below)]
13	(i)	[Status of the Bonds:]	[The [Wrapped] Bonds [and the Unwrapped Bonds] rank *pari passu* among each other in terms of interest and principal payments.]
	(ii)	Status of the Guarantees:	Senior
	(iii)	[Status of the Financial Guarantee:]	[The Financial Guarantee will rank *pari passu* with all unsecured obligations of the Financial Guarantor.]
	(iv)	[FG Event of Default:]	[[●]]
	(v)	Date [Board] approval for issuance of Bonds [and Guarantee] obtained:	[●] [and [●]], respectively]
14	Method of Distribution		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	Fixed Rate Bond Provisions		[Applicable/Not Applicable]
	(i)	Rate[(s)] of Interest	[●] per cent. per annum[, plus an additional [●] per cent. per annum following the occurrence of a Coupon Step-Up Trigger Event for so long as such Coupon Step-Up Trigger Event is continuing commencing on the Interest Payment Date immediately preceding the date on which the applicable Coupon Step-Up Trigger Event occurred and ceasing on the Interest Payment Date immediately following the date on which the applicable Coupon Step-Up Trigger Event has ceased to be continuing,] [payable [annually/semi-annually/quarterly/monthly/[●])] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [●] / not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[or, if a Coupon Step-Up Trigger Event has occurred and is continuing, [●] per Calculation Amount]
	(iv)	Day Count Fraction:	[30/360 / Actual/Actual (ICMA/ISDA) / other]
	(v)	Determination Dates:	[●] in each year
	(vi)	Coupon Step-Up Trigger Event:	[Applicable. A “Coupon Step-Up Trigger Event” means the occurrence of: [●] and shall be “continuing” until [●]]/[Not Applicable]
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Bonds:	[Not Applicable/[●]]
16	Floating Rate Bond Provisions		[Applicable/Not Applicable]
	(i)	Interest Period(s):	[●]
	(ii)	Specified Interest Payment Dates:	[●]

(iii)	First Interest Payment Date:	[●]
(iv)	Interest Period Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/other]
(vi)	Business Centre(s)	[●]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent Bank):	[●]
(ix)	Screen Rate Determination:	
	Reference Rate	[●]
	Interest Determination Date(s):	[●](in the case of: (i) SONIA or Compounded Daily SOFR where Lag is selected as the Observation Method, the date falling "p" London Banking Days or U.S. Government Securities Business Days (as applicable) prior to each Interest Payment Date; and (ii) Compounded Daily SOFR where Lock-out is selected as the Observation Method or Weighted Average SOFR, a date falling not less than 5 U.S. Government Securities Business Days prior to each Interest Payment Date)
	Observation Method:	[Lag / Observation Shift]
	Observation Look-back Period:	[[●]/[Not Applicable]] [(in the case of SONIA: "p" London Banking Days where "p" shall not be less than 5 without the prior agreement of the Calculation Agent)] /[unless otherwise agreed with the Principal Paying Agent or such other person specified in the applicable Final terms as the party responsible for calculating the Interest Rate (being not less than 5 London Business Days)]
(x)	ISDA Determination:	
	Floating Rate Option:	[●]
	Designated Maturity:	[●]
	Reset Date:	[●]
	[ISDA Definitions:	[2000/2006/[2021]]]
	Compounding:	[Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
	Compounding Method:	[Compounding with Lookback

		• 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: [•] Lockout Period Business Days
		• Lockout Period Business Days: [[•]/Applicable Business Days]]
	Averaging:	[Applicable/Not Applicable]] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
	Averaging Method:	[Averaging with Lookback
		• Lookback: [•] Applicable Business Days]
		[Averaging with Observation Period Shift
		• Observation Period Shift: [•] Observation Period Shift Business Days
		• Observation Period Shift Additional Business Days: [[•]/Not Applicable]]
		[Averaging with Lockout
		• Lockout: [•] Lockout Period Business Days
		• Lockout Period Business Days: [[•]/Applicable Business Days]]
	Index Provisions:	[Applicable/Not Applicable] (*If not applicable delete the remaining sub-paragraphs of this paragraph*)
	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]]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Interest Rate:	[Not Applicable]
(xiii)	Maximum Interest Rate:	[Not Applicable]
(xiv)	Day Count Fraction:	[●]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of	[●]

		calculating interest on Floating Rate Bonds, if different from those set out in the Conditions:	
	(xvi)	Relevant Financial Centre:	[●]
	(xvii)	Representative Amount:	[●]
17	Index-Linked Interest Bond/other variable-linked interest Bond Provisions:		[Applicable/Not Applicable]
	(i)	Index/Formula/other variable:	[RPI/CPI/CPIH]
	(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent Bank):	[Not applicable/Calculation Agent]
	(iii)	Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv)	Interest Determination Date(s):	[●]
	(v)	Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	Applicable – Conditions 7(c) and 7(e)
	(vi)	Interest Period(s):	[●]
	(vii)	First Interest Payment Date:	[●]
	(viii)	Specified Interest Payment Dates:	[●]
	(ix)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other]
	(x)	Business Centre(s):	[●]
	(xi)	Minimum Interest Rate:	[●] per cent. per annum
	(xii)	Maximum Interest Rate:	[●] per cent. per annum
	(xiii)	Maximum Indexation Factor:	[●]
	(xiv)	Minimum Indexation Factor:	[●]
	(xv)	Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor:	[●] per cent. per annum
	(xvi)	Base Index Figure (Condition 7(a)):	[●]
	(xvii)	Day Count Fraction:	[30/360/Actual/Actual (ICMA/ISDA)/Other]
	(xviii)	"Index Figure" (Condition 7(a)):	Paragraph [(i)/(ii)/(iii)] of the definition of the relevant "Index" as set out in Condition 7(a) shall apply
	(xix)	Reference Gilt:	[[●]/Not Applicable]
	(xx)	Indexed Benchmark Gilt	[[●]/ Not Applicable]

PROVISIONS RELATING TO REDEMPTION

18	Issuer Call Option:	[Applicable in accordance with Condition 8(b)/Not Applicable]
	(i) Optional Redemption Date(s):	[●]. [In the case of Floating Rate Bonds, not before [●] and at a premium of [●], if any.]
	(ii) Optional Redemption Amount(s) of each Bond and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii) Redemption Margin:	[Not Applicable]/[●]
	(iv) Reference Gilt:	[Not Applicable]/[●]
	(v) If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(vi) Notice Period:	[●]
19	Redemption Amount of each Bond:	
	In cases where the Redemption Amount is Index-Linked:	[●] per Calculation Amount
	(i) Index/Formula/variable:	[RPI/CPI/CPIH]
	(ii) Party responsible for calculating the Final Redemption Amount (if not the Agent Bank):	[●]
	(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:	[●]
	(iv) Determination Date(s):	[●]
	(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:	[●]
	(vi) Payment Date:	[●]
	(vii) Minimum Final Redemption Amount:	[●] per Calculation Amount
	(viii) Maximum Final Redemption Amount:	[●] per Calculation Amount
20	Redemption Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if	[●]

	required or if different from that set out in the conditions):	
21	Issuer Call Option – Coupon Step-up Trigger Event	[Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE BONDS

22	Form of Bonds:	[Bearer / Registered] Bonds [Temporary Global Bond exchangeable for a Permanent Global Bond which is exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond] [Temporary Global Bond exchangeable for Definitive Bonds on [●] days' notice] [Permanent Global Bond exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond]
23	[New Global Note/held under New Safekeeping Structure]	[Yes]/[No]
24	Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/[●]]
25	Talons for future Coupons or Receipts to be attached to Definitive Bonds (and dates on which such Talons mature):	[Yes/No.]
26	Details relating to Instalment Bonds:	[Applicable/Not Applicable]
	(i) Instalment Date	[●]
	(ii) Instalment Amount	[●]
27	Consolidation provisions:	[Not Applicable/The provisions annexed to these Final Terms apply]
28	U.S. Selling Restrictions	[Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]

THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Issuer and the Guarantors confirm that such information has been accurately reproduced and that, so far as they are aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

[PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange of the Bonds described herein pursuant to the £2,000,000,000 Guaranteed Bond Programme].

Signed on behalf of the Issuer:

…………………………………………………
By: [●]
Duly authorised

Signed on behalf of South East Water Limited:

…………………………………………………
By: [●]
Duly authorised

Signed on behalf of South East Water (Holdings) Limited:

…………………………………………………
By: [●]
Duly authorised

[Signed on behalf of the Financial Guarantor]*:

…………………………………………………
By: [●]
Duly authorised

PART B – OTHER INFORMATION

1	**Listing**	
	(i) Listing:	The Official List of the Financial Conduct Authority
	(ii) Admission to trading:	The Bonds are expected to be admitted to trading on the Main Market of the London Stock Exchange plc and to be listed on the Official List with effect from [●].
	(iii) Estimate of total expenses related to admission to trading:	[●]
2	**Ratings**	
	Ratings:	The Bonds to be issued have [been rated]/[are expected to be rated]: [S&P: [●]] [Moody's: [●]]

3 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]]**

[Save as discussed in ["Subscription and Sale"], so far as the 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:	[●]]
	(ii) [Estimated net proceeds:	[●]]
	(iii) [Estimated total expenses:	[●]]
5	[Fixed Rate Bonds only – 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 **[Index-Linked or other variable-linked Bonds only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

	(i) Name of underlying index:	[UK Retail Prices Index (RPI) (all items) published by the Office of National Statistics]/[UK Consumer Prices Index (CPI) (all items) published by the Office for National Statistics/UK Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax (CPIH) (all items) published by the Office for National Statistics]
	(ii) Information about the Index, its volatility and past and future performance can be obtained from:	Information on [RPI/CPI/CPIH] can be found at [www.statistics.gov.uk / www.ons.gov.uk]
6	**Operational information**	
	ISIN Code:	[●]

Common Code:	[●]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s):	[Not Applicable/[●]]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]
[Intended to be held in a manner which would allow Eurosystem eligibility]	[Yes. Note that the designation "yes" simply means that the 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)] [include this text for registered notes] 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) [*include this text for registered bonds*]. 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.]]

7 **Distribution**

Method of distribution

If syndicated:

(A) Names of Managers:

(B) Stabilisation Manager(s) (if any):

If non-syndicated, name of Dealer:

CHAPTER 9
USE OF PROCEEDS

The net proceeds from each issue of Bonds under the Programme will be on-lent to SEW under the terms of an Issuer/SEW Loan Agreement to be applied by SEW for its general corporate purposes or used to repay or service SEW's Financial Indebtedness.

CHAPTER 10
TAXATION

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 and is not intended to be exhaustive. It is based on current UK tax law as applied in England and Wales and the practice of HM Revenue and Customs ("**HMRC**"), which may not be binding on HMRC and 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 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 or certain professional advisers. 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 not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective Bondholder. 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.

Withholding Tax on Interest Paid by the Issuer

The Bonds will constitute "quoted Eurobonds" provided they carry a right to interest and are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 Income Tax Act 2007. Whilst such Bonds are and continue to be "quoted Eurobonds", payments of interest may be made without withholding or deduction for or on account of UK income tax.

The London Stock Exchange is a recognised stock exchange for these purposes. Bonds will be treated as listed on the London Stock Exchange if they are and continue to be included in the Official List and are admitted to trading on the London Stock Exchange.

In cases falling outside the exemption described above, interest will generally be paid by the Issuer under deduction of UK income tax at the basic rate (currently 20 per cent.), subject to the availability of other reliefs 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 or to any other exemption which may apply. However, UK withholding will not apply if the relevant interest is not "yearly interest". Interest paid on Bonds with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Bonds part of a borrowing with a total term of a year or more will not be yearly interest. If UK withholding tax is imposed, the Issuer will not pay additional amounts in respect of the Bonds.

From April 2027, provisions in the Finance Act 2026 provide that the rate of withholding will be equal to the savings basic rate of income tax, and that such rate will increase to 22 per cent.

Payments by Guarantor or Financial Guarantor

The UK withholding tax treatment of payments by the Guarantor or Financial Guarantor under the terms of the relevant 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 or Financial Guarantor may not be eligible for the exemptions described in the section headed "*Withholding Tax on Interest Paid by the Issuer*" above. If UK withholding tax is imposed, no Guarantor or Financial Guarantor will pay additional amounts in respect of the Bonds. Accordingly, if the Guarantor or Financial Guarantor makes any such payments and they have a UK source, these may be subject to UK withholding tax (either at the basic rate of 20 per cent. or potentially (on or after 6 April 2027) at the savings basic rate (which will be 22 per cent. from such date)).

Other Rules Relating to UK Withholding Tax

1. 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 will not generally be subject to any UK withholding tax pursuant to the provisions mentioned above.
2. 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 UK withholding tax as outlined above.
3. Where interest has been paid under deduction of UK income tax, Bondholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
4. The references to "interest" in this section headed 'UK Taxation' mean amounts that are treated as "interest" for the purposes of 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.
5. The above description of the UK withholding tax position assumes that there will be no substitution of an issuer pursuant to Condition 8(c) or 15(d) of the Bonds or otherwise and does not consider the tax consequences of any such substitution.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the Code commonly known as FATCA, a "foreign financial institution" (including an intermediary through which Bonds are held) may be required to withhold. on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of FATCA provisions and IGAs 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, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payments" and Notes characterised as debt for U.S. federal income tax purposes (or which are not otherwise characterised as equity and have a fixed term) issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional bonds (as described under "Terms and Conditions of the Bonds – Form, Denominations and Title") that are not distinguishable from previously issued Bonds are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Bonds, including the Bonds offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Prospective Bondholders 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 11
DESCRIPTION OF THE LIQUIDITY FACILITY PROVIDERS

Liquidity Facility Providers

Crédit Agricole Corporate and Investment Bank

Crédit Agricole Corporate and Investment Bank ("**CACIB**") is a Société Anonyme incorporated in France and registered with Companies House in England and Wales with UK establishment number BR001975 and registered address at Broadwalk House, 5 Appold Street, London EC2A 2DA.

CACIB is the Corporate and Investment Banking arm of the Crédit Agricole Group, the 10th largest banking group worldwide in terms of balance sheet size (source: The Banker, 2025). Crédit Agricole Group is rated AA- / Aa3 / AA- / AA (high) by S&P / Moody's / Fitch / DBRS (long-term counterparty rating; all with stable outlook) as of 6 July 2026.

CACIB has 35 offices, employs more than 10,000 people worldwide and serves more than 3500 clients (as of December 2025).

CACIB has been involved in the financing of SEW since 2018.

Canadian Imperial Bank of Commerce, London Branch

Canadian Imperial Bank of Commerce ("**CIBC**") is a diversified financial institution governed by the Bank Act (Canada) (the "**Bank Act**"). CIBC was formed through the amalgamation of the Canadian Bank of Commerce and Imperial Bank of Canada in 1961. CIBC is incorporated and domiciled in Canada, with its registered and principal business offices located at CIBC SQUARE, Toronto, Ontario.

CIBC is a leading Canadian-based global financial institution. As set out in the Bank Act, its corporate purpose is to act as a financial institution throughout Canada and can carry on business, conduct its affairs and exercise its powers in any jurisdiction outside Canada to the extent and in the manner that the laws of that jurisdiction permit. Through its four strategic business units (SBUs) – Canadian Personal and Business Banking, Canadian Commercial Banking and Wealth Management, U.S. Commercial Banking and Wealth Management, and Capital Markets – CIBC provides a full range of financial products and services to personal banking, business, public sector and institutional clients in Canada, the United States (U.S.) and around the world.

As at 31 October 2025, CIBC had total assets of C$1,116.938 billion, total deposits of C$ 808.124 billion and common shareholders' equity of C$57.760 billion. The short term senior unsecured and unguaranteed obligations of CIBC are, as at the date of this Prospectus, rated P-1 by Moody's, A-1 by Standard & Poor's USA and F1+ by Fitch and the long term senior unsecured and unguaranteed obligations of CIBC are rated A2 by Moody's, A- by Standard & Poor's USA and AA- by Fitch.

CIBC, as Liquidity Facility Provider to the Issuer, acts through its London Branch (**"CIBC, London Branch"**). CIBC is regulated by the Office of the Superintendent of Financial Institutions in Canada and CIBC, London Branch is authorised by the PRA and is subject to regulation by the FCA and limited regulation by the PRA.

The principal place of business of CIBC, London Branch is 150 Cheapside, London EC2V 6ET. CIBC, London Branch is engaged in commercial and investment banking to both Canadian and European clients

CHAPTER 12
SUBSCRIPTION AND SALE

Dealership Agreement

Bonds may be sold from time to time by the Issuer to any one or more of NatWest Markets Plc and CIBC and any other dealer appointed from time to time (the "**Dealers**") pursuant to the dealership agreement dated on or about the date of this Prospectus made between, amongst others, SEW, the Issuer, the Arranger and the Dealers (the "**Dealership Agreement**"). The arrangements under which a particular Sub-Tranche of Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Dealership Agreement and the subscription agreements relating to each Sub-Tranche of Bonds. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Bonds, the price at which such Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. 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, Tranche or Sub-Tranche of Bonds.

In the Dealership Agreement, the Issuer, failing whom SEW, have each agreed to reimburse 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.

United States of America

Selling Restrictions

The Bonds and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933 (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 accordance with Regulation S under the Securities Act ("**Regulation S**") or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer represents that it has offered and sold the Bonds and the Guarantees, and agrees that it will offer and sell the Bonds and the Guarantees (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds and the Guarantees, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer agrees that, at or prior to confirmation of sale of Bonds and the Guarantees, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds and the Guarantees from it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The Bonds covered hereby have not been registered under the U.S. Securities Act of 1933 (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 (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S under the Securities Act."

Terms used in this paragraph have the meanings given to them by Regulation S.

The 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, or for the account or benefit of, U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act, as amended, or the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder as appropriate.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Dealership Agreement 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 European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

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

  (iii) not a qualified investor as defined in the EU Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Dealership Agreement will be required to represent and agree, that it has not offered, sold, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any Bonds which are the subject of this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For these purposes:

(a) the expression "**retail investor**" means a person who is either one (or both) of the following:

  (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the domestic law of virtue of the EUWA; or

  (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs; 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 buy or subscribe for the Bonds.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Dealership Agreement will be required to represent and agree, that:

(a) in relation to any Bonds which have a maturity of less than one year (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their business 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 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 FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the UK.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Dealership Agreement 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 Dealership Agreement will be required to represent 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 Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

General

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

Each Dealer has agreed and each further Dealer appointed under the Dealership Agreement will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable laws, regulations and directives in force in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute the Prospectus or any other offering material, in all cases at their own expense and none of the Obligors, the Bond Trustee nor any of the other Dealers shall have any responsibility therefor.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific country or jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in the official interpretation, after the date of the Dealership Agreement, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Sub-Tranche of Bonds) or (in any other case) in a supplement to this Prospectus.

CHAPTER 13
GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Bonds thereunder was duly authorised by resolutions of the Board of Directors of the Issuer passed at a meeting of the Board held on 10 August 2026, and by resolutions of the Board of SEW passed at a meeting of the Board of SEW held on 2 July 2026. The 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 SEW, the Cayman Issuer and SEWH has been duly authorised by a resolution of the Board of Directors of each of SEW, the Cayman Issuer and SEWH, respectively, of which SEW's were dated 2 July 2026, the Cayman Issuer's were dated 16 August 2026, SEWH's were dated 12 August 2026 and the establishment of the Programme was authorised by further resolutions of the Board of Directors of SEWH dated 12 August 2026.

Listing of the Programme

The listing of the Programme on Main Market is expected to be granted on or about 27 August 2026.

Listing of Bonds

It is expected that each Sub-Tranche 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 Global Bond or Bonds initially representing the Bonds of such Sub-Tranche.

Documents Available

For so long as the Programme remains in effect or any Bonds shall be Outstanding, copies of the following documents (i) will, when published, be available for inspection on the website of SEW at https://www.southeastwater.co.uk/about/resources/publications/financial-reports; and (ii) 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 Memorandum and Articles of Association of each of the Issuer and the other Obligors;

(ii) the audited financial statements of SEW for the year ended 31 March 2025 and 31 March 2026;

(iii) the audited financial statements of SEWH for the year ended 31 March 2024 and 31 March 2025;

(iv) a copy of this Prospectus;

(v) each Investors' Report;

(vi) each Financial Guarantee and all related Endorsements relating to each Sub-Tranche of Wrapped Bonds issued under the Programme;

(vii) the Common Terms Agreement;

(viii) the Master Definitions Agreement;

(ix) the STID;

(x) the Security Agreement;

(xi) the Bond Trust Deed;

(xii) the Account Bank Agreement;

(xiii) the Agency Agreement;

Clearing Systems

The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Sub-Tranche of Bonds allocated by Euroclear and Clearstream, Luxembourg 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.

If the Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

Significant Change

There has been no significant change in the financial position or financial performance of SEW and its subsidiaries since the end of the latest financial period for which financial statements of SEW have been published.

There has been no significant change in the financial position or financial performance of SEWH and its subsidiaries since the end of the latest financial period for which financial statements of SEWH have been published.

There has been no significant change in the financial position or financial performance of the Cayman Issuer since the end of the latest financial period for which financial statements of the Cayman Issuer were prepared, being for the financial year ended 31 March 2025.

There has been no significant change in the financial position or financial performance of the Issuer since the date of its incorporation, being 29 May 2026.

Material Adverse Change

There has been no material adverse change in the prospects of SEW since the date to which the latest audited annual financial statements of SEW incorporated by reference in this Prospectus were prepared.

There has been no material adverse change in the prospects of SEWH since the date to which the latest audited annual financial statements of SEWH incorporated by reference in this Prospectus were prepared.

There has been no material adverse change in the prospects of the Cayman Issuer since the date to which the latest audited consolidated annual financial statements of the Cayman Issuer for year ending 31 March 2025 were prepared.

There has been no material adverse change in the prospects of the Issuer since the date of its incorporation, being 29 May 2026.

Litigation

Save as disclosed in the section entitled "*Risk Factors – Litigation and Other Proceedings*", none of the Issuer, SEWH or its subsidiaries or SEW or its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the relevant Obligor 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 Issuer, SEWH or its subsidiaries or SEW or its subsidiaries, respectively.

Availability of Financial Statements

The audited annual financial statements of the Issuer, SEW and SEWH will be prepared as of 31 March in each year. The Issuer has not published and does not intend to publish any interim financial statements, but SEW intends to publish unaudited condensed consolidated financial statements. The unaudited condensed consolidated financial statements of SEW will be prepared as of and for the six months ended 30 September in each year. All future audited annual financial statements of the Issuer and the audited annual financial statements of SEW and SEWH will be available free of charge in accordance with "*Documents Available*" above.

Independent Auditors

The independent auditors of the Issuer, SEWH and SEW are PricewaterhouseCoopers LLP whose registered address is 1 Embankment Place, London, WC2N 6RH, and which is a member firm of the Institute of Chartered Accountants in England and Wales, who (i) audited the SEWH Financial statements, as of and for each of the years ended 31 March 2025 and 31 March 2024, without qualification, save for an emphasis of a matter of material uncertainty related to going concern (see "*Material Uncertainty as to Going Concern*" below) and note page 5 of the 2024 SEWH Annual Report, in accordance with the International Standards on Auditing (UK) and (ii) the SEW financial statements as of and for each of the years ended 31 March 2026 and 31 March 2025, without qualification, save for an emphasis of a matter of material uncertainty related to going concern (see "*Material Uncertainty as to Going Concern*" below) and note page 202 of the 2026 SEW Annual Report and page 206 of the 2025 SEW Annual Report, respectively, in accordance with the International Standards on Auditing (UK).

Material Uncertainty as to Going Concern

The audited financial statements of SEW for the financial year ended 31 March 2026 contains the following material uncertainty related to going concern (found on pages 220 to 224 of "https://cdn.southeastwater.co.uk/Publications/Financial+reports/South_East_Water_Ltd-Annual_Report_and_Statement_2026.pdf"):

"*The consolidated financial statements for the year ended 31 March 2026 and set out on pages 212 to 219 have been prepared on the going concern basis. The directors have considered the requirements of IAS 1 which states that an entity should prepare financial statements on a going concern basis unless the directors intend to liquidate the entity, cease trading, or has no realistic alternative but to do so.*

Background to Going Concern

Following the successful referral of Ofwat's PR24 Final Determination to the Competition and Markets Authority (CMA), which secured an extra £100 million in allowed expenditure, we now have an improved settlement to start addressing the most significant resilience issues we face.

The PR24 Business Plan is the company's boldest and most ambitious plan ever. The plans for AMP 8 will require additional liquidity to be raised in order to fund the capital programme as operating cash flows will not be sufficient. It should be noted that shareholders are not planning to take any dividends in AMP 8.

The serious outage events in November/December 2025 and January 2026 demonstrate some of the resilience weaknesses in our network.

It clearly takes time to address network resilience issues. There are resilience issues across our regions and although IRAP (our Incident Recovery Action Plan) will improve the way we handle incidents there remains an elevated risk of further outages until resilience schemes are completed. Direct emergency incident response costs for the November/December 2025 and January 2026 incidents – including alternative water provision, extensive tankering operations, and direct customer compensation under the Guaranteed Standards Scheme (GSS) – totalled £54.7 million, including compensation of £38.9 million. The duration of the events and the number of customers impacted together with enhanced compensation available to customers in AMP 8 drove the significant cost, which was greatly in excess of anything seen in previous years.

South East Water is also implementing a company-wide transformation plan to improve operational performance and deliver for our customers. Project Lighthouse will help us simplify and modernise our business, improving resilience of water supply and rebuilding customer and stakeholder confidence.

The risk and impact on customers of outages is mitigated by our capital programme with a particular focus on resilience, the actions coming from IRAP and Project Lighthouse, but as some of these mitigations are over the longer term there remains a risk that outages could continue to have a significant impact on customers in the shorter term and that material costs could be incurred.

Supply interruptions in the early part of AMP7 led Ofwat to open an investigation into the company's supply resilience in November 2023. Ofwat published a provisional decision on 5 March 2026 where it concluded that the company had breached its obligations under s37 of the Water Industry Act 1991 and condition P12 of its licence. Following the serious outage events in November/December 2025 and January 2026, Ofwat opened a second investigation into the company's compliance with the customer-focused licence condition (condition G) and condition P12 of its licence.

On 14 July 2026 Ofwat published its final decision to accept resilience undertakings from the company (instead of making an enforcement order and imposing a fine) to deliver commitments to address Ofwat's findings, concluding both investigations. It is anticipated these undertakings will largely be delivered during AMP8. An independent monitor will be appointed to oversee the execution of these undertakings. Should the undertakings not be complied with Ofwat has the ability to enforce.

On 28 May 2026 Moody's downgraded South East Water's credit rating from Baa3 to Ba1, moving us to sub-investment grade. Moody's cited the fallout from the high-profile and widespread supply outages in November/December 2025 and January 2026. They also noted that the downgrade followed an ongoing investigation by Ofwat into supply interruptions dating back to 2023 and a new investigation into the more recent supply interruptions. It is a condition of the company's licence that it should hold at least two investment-grade credit ratings, and following the downgrade the company is in breach of its licence.

Ofwat has accepted a set of financial undertakings from the company designed to return the company to compliance with its licence conditions in conjunction with the resilience undertakings mentioned above. Both sets of undertakings taken together provide a potential path to first restoring supply resilience and operational performance which aims to restore investment grade credit ratings and therefore compliance with the conditions of the company's licence relating to investment grade credit ratings.

The forecast cash flows over the 12 months to July 2027 have been considered in assessing the liquidity runway. The group and company forecast base case does not indicate an additional requirement for financing in the *going concern period, although careful cash management will be required at the end of the period. Shortly after the going concern period it will be necessary to secure new loan facilities in order to continue as a going concern. The severe but plausible downside case (sensitivity 3 in the Long-Term Viability Statement) would indicate a need for further financing towards the end of the financial year.*

The group finances its working capital requirements through cash generated from operations and committed facilities that can be called upon as required. At 31 March 2026 the group had cash in hand of £18.8 million (2025: £36.1 million) and undrawn bank facilities of £75.0 million (2025: £56.0 million). Total borrowings at 31 March 2026 amounted to £1,346.7 million (2025: £1,395.4 million). Details of the borrowings including their respective maturities are set out in note 18. Net cash interest payments in the year amounted to £41.1 million (2025: £49.5 million). The group's liquidity position and cashflow projections are closely monitored and are updated each month. When necessary, mitigating actions are identified and implemented. This could include management of working capital or rephasing of expenditure plans if required.

As at the date of approval of these financial statements, the revolving credit facility of £150.0 million was fully drawn, resulting in a significant increase in the amount of cash held.

Under the terms of its banking arrangements, the group has to comply with a number of financial covenants based on interest cover and gearing ratios, both on a retrospective and a prospective basis. Breach of these covenants can result in either a Trigger Event or a Default Event. A Trigger Event activates initial creditor protections under the terms of the group's securitised financing arrangements, which are designed to maintain South East Water's creditworthiness without disrupting its ability to trade (these are set out further in the LTVS). The Trigger Event operates to prevent cash payments out of the ring-fence group (comprising South East Water Limited, South East Water (Finance) Limited and South East Water (Holdings) Limited) to affiliated entities, providing a degree of protection to these companies and specifically to the operation of the regulated business of South East Water. The Trigger Event is designed to preserve the value of the group, which is in the interests of creditors and customers.

All covenants were complied with for the year ended 31 March 2026 and on the basis of the base case, which has been adjusted for known events in the period up to the signing of these accounts, the group and company expect to comply with covenants for the year ending 31 March 2027. Under the base case scenario in the Long-Term Viability Statement the company remains in compliance throughout the going concern assessment period of 12 months from the date of approval of these financial statements. Under the base case and the severe but plausible scenario there is no Event of Default.

<u>Going Concern</u>

The directors believe that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements as they have a reasonable expectation that the group and company will be able to meet their obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements. However, in making their assessment the directors have identified the following material uncertainties which may cast significant doubt on the group's and company's ability to continue as a going concern:

- *The group and company cash flow forecasts on a base case indicate a need to secure new loan facilities shortly after the end of the going concern period being 12 months from the date of approval of the financial statements. In addition, the severe but plausible scenario indicates a need to secure new loan facilities towards the end of the financial year. Our ability to raise such debt is not wholly within our control;*
- *Following the credit rating downgrade by Moody's on 28 May 2026, the company is in breach of its licence. Ofwat has accepted a set of financial undertakings from the company designed to return the*

company to compliance with its licence conditions. However, the company remains in breach of its licence conditions until it secures two investment grade credit ratings. If the company does not comply with the undertakings agreed with Ofwat this could result in further enforcement action. There is also the possibility that Ofwat may reasonably require additional steps if it is unlikely that the company will restore its licence requirement to have two investment grade credit ratings.

Liquidity

As part of the going concern assessment, the directors have considered the forecast cash flows over the 12 months to July 2027, the capital structure of the group and the financing needs for the period. In forming their conclusions, the board have considered the matters set out below.

Under the base case the available liquidity will fund forecast operating cashflows, capital expenditure and interest payments until August 2027 with careful cash management towards the end of the going concern period, consistent with practice in recent years. The board recognises that shortly after the end of the going concern assessment period of 12 months from the date of approval of the financial statements it will be necessary to secure additional liquidity as required so that the group and company has adequate resources to continue to discharge its obligations as they fall due beyond the immediate assessment period. There are a number of ways in which this could be achieved without impacting on the company's statutory duties including measures to conserve cash, raising new debt or raising new equity.

More severe scenarios would shorten the cash runway, requiring additional mitigating actions to be taken, and under the severe but plausible downside case (sensitivity 3 in the LTVS) the cash runway would only extend towards the end of the financial year.

The group and company are taking actions to conserve cash. In addition, and in order to provide additional liquidity to cover the going concern period and beyond as required, we have engaged with lenders. Although discussions with external lenders to provide funds to meet forecast projections and provide sufficient headroom are at an advanced stage and are expected to conclude over summer 2026, at the date of approval of these financial statements the financing has not been completed. If it is not possible to raise the additional liquidity, the group and therefore the company would not have sufficient liquidity to meet obligations as they fall due shortly after the going concern period.

As the new loan facilities have not been legally committed at the date of approval of these financial statements and the commitment is not within the control of the directors, the risk that funding will not be received constitutes a material uncertainty that may cast significant doubt on the ability of the group and company to continue as a going concern.

Regulatory licence compliance

On 28 May 2026 South East Water received a credit rating downgrade from one of its two ratings agencies, Moody's Ratings ("Moody's"). As a condition of its operating licence with the regulator, Ofwat, South East Water must maintain at least two investment grade credit ratings. The company has engaged with Ofwat, the company's regulator, and agreed certain commitments that are designed to return the company to compliance with its licence conditions.

The PR24 business plan is the company's most ambitious business plan ever. Following a redetermination by the CMA, the proposed investment over the five years 2025 to 2030 amounts to £1.9 billion with goals to improve customer service, reduce customer supply interruptions and strengthen network resilience.

However, Moody's noted that the ratings action relates to the fallout from the two high profile outages in November/December 2025 and January 2026 and the continued resilience risk the company faces until its medium- to long-term investment programmes are completed.

Ofwat has accepted a set of financial undertakings from the company designed to return the company to compliance with its licence conditions and the company has considered the likely impact of the undertakings on the group's and company's cash flow over the assessment period.

Although undertakings have been agreed, the company remains in breach of its licence until it secures two investment grade credit ratings. If the company does not comply with the undertakings agreed with Ofwat this could result in further enforcement action. There is also the possibility that Ofwat may reasonably require additional steps if it is unlikely that the company will restore its licence requirement to have two investment grade credit ratings This represents a material uncertainty that may cast significant doubt on the ability of the group and company to continue as a going concern.

Conclusion on going concern

In assessing whether the group and company has adequate resources in order to continue operations and discharge obligations as they fall due for the assessment period , being a period of at least 12 months from the date of approval of the financial statements, the directors have considered the factors set out above.

The directors have concluded that it is reasonable to assume that the group and company has adequate resources for the assessment period to continue operations and discharge its obligations as they fall due. However, there are material uncertainties that may cast significant doubt on the group's and company's ability to continue as a going concern over the assessment period:

- *The group and company cash flow forecasts on a base case indicate a need to secure new loan facilities shortly after the end of the going concern period being 12 months from the date of approval of the financial statements. In addition, the severe but plausible scenario indicates a need to secure new loan facilities towards the end of the financial year. Our ability to raise such debt is not wholly within our control;*

- *Following the credit rating downgrade by Moody's on 28 May 2026, the company is in breach of its licence. Ofwat has accepted a set of financial undertakings from the company designed to return the company to compliance with its licence conditions. However, the company remains in breach of its licence conditions and if it fails to comply with the undertakings agreed with Ofwat this could lead to further enforcement action. There is also the possibility that Ofwat may reasonably require additional steps if it is unlikely that South East Water will restore its licence requirement to have two investment grade credit ratings.*

Notwithstanding the material uncertainties described above, and on the basis of their assessment of the group and company's overall financial position, the advanced discussions with lenders regarding new loan facilities, the agreement with Ofwat regarding undertakings and the latest cash flow forecast shared with the board, the directors have a reasonable expectation that the group and therefore the company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern"

The independent audit report, contained within the audited financial statements of SEW for the financial year ended 31 March 2026, contained the following statement of material uncertainty related to going concern (found on page 203 of https://cdn.southeastwater.co.uk/Publications/Financial+reports/South_East_Water_Ltd-Annual_Report_and_Statement_2026.pdf).

"*In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the group's and the company's ability to continue as a going concern. Note 1.2 details that the group and company cash flow forecast base case prepared by the directors does not indicate an additional requirement for financing in the going concern period, although cash management will be required towards the end of the going concern period, and shortly after the going concern period it will be necessary to access additional financing, in order to continue as a going concern. The directors' severe but plausible downside case indicates a need for financing towards the end of the financial year. Discussions with lenders are underway, although at the date of approval of these financial statements no additional financing has been legally committed and the commitment is not within the control of the directors.*

Note 1.2 details the requirement for the company to maintain at least two investment grade credit ratings and following the downgrade by Moody's on 28 May 2026 the company is in breach of this operating licence condition. The company has engaged with Ofwat and has agreed undertakings including appointment of an independent monitor to oversee the execution of these undertakings, which are intended to return the company to compliance with its licence conditions. Although these undertakings have been agreed the company remains in breach of its licence until it secures two investment grade credit ratings. If the company does not comply with the undertakings agreed with Ofwat this could result in further enforcement action.

These conditions, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate."

The audited financial statements of SEW for the financial year ended 31 March 2025 contains the following material uncertainty related to going concern (found on page 231 of https://cdn.southeastwater.co.uk/Publications/Financial+reports/SEW-2025-Annual_Report-Linked.pdf).

"*The group and company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 45 and 66.*

The directors have undertaken a detailed review of the group and company's liquidity requirements compared with the cash and facilities available, which includes cash at hand, cash on deposit, and committed bank facilities of which £56.0 million remained undrawn at 31 March 2025. The directors have also considered the financial covenant position including projections based on future forecasts, the current credit ratings and financial risk.

The PR24 business plan is the group's most ambitious business plan ever. The proposed investment over the five years 2025 to 2030 amounts to £2.1 billion with goals to improve customer service, reduce customer supply interruptions and strengthen network resilience. A significant investment in environmental schemes is also proposed.

As a result of the higher operating and capital expenditure proposed in the business plan, the group and company has forecasted a net cash outflow position before financing inflows over the going concern period of 12 months to 14 July 2026.

The group and company forecast base case does not indicate an additional requirement for financing in the going concern period although shortly after the going concern period it will be necessary to renew the existing revolving credit facility, or find alternative financing, in order to continue as a going concern. The severe but plausible downside case without mitigating actions would indicate a need for financing towards the end of the *going concern period. The revolving credit facility matures in September 2026 and discussions with lenders are underway and progressing well, although at the date of approval of signing these financial statements the renewal has not been legally committed.*

The directors are of the opinion that the revolving credit facility will be renewed, but as this has not been legally committed at the date of signing these financial statements and the commitment is not within the control of the directors, the risk that the revolving credit facility will not be renewed constitutes a material uncertainty that may cast significant doubt on the ability of the group and company to continue as a going concern.

Notwithstanding the material uncertainty described above, and on the basis of their assessment of the group and company's overall financial position, and the latest cash flow forecast shared with the board, the directors have a reasonable expectation that the group and therefore the company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements. For this reason the directors continue to adopt the going concern basis of accounting in preparing the financial statements. Further details can be found in the strategic report on pages 45 and 66. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern".

The independent audit report, contained within the audited financial statements of SEW for the financial year ended 31 March 2025, contained the following statement of material uncertainty related to going concern (found on pages 206 and 207 of https://cdn.southeastwater.co.uk/Publications/Financial+reports/SEW-2025-Annual_Report-Linked.pdf):

"*In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3.1 to the financial statements concerning the group's and the company's ability to continue as a going concern. Note 3.1 details that the group and company forecast base case prepared by the directors does not indicate an additional requirement for financing in the going concern period although shortly after the going concern period it will be necessary to renew the existing revolving credit facility, or find alternative financing, in order to continue as a going concern. The directors' severe but plausible downside case without mitigating actions would indicate a need for financing towards the end of the going concern period. The revolving credit facility matures in September 2026 and discussions with lenders are underway and progressing well, although at the date of approval of these financial statements the renewal has not been legally committed. These conditions, along with the other matters explained in note 3.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.*

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate."

The audited financial statements of SEWH for the financial year ended 31 March 2024 contains the following material uncertainty related to going concern (found on pages 12 and 13 of https://cdn.southeastwater.co.uk/Investor+portal/South+East+Water+(Holdings)+Ltd/SEWHoldingsAccounts2024.pdf).

"*The company reviews and considers the risks to which the business is exposed and potential impacts on viability on an ongoing basis. This includes structured, systems-based risk identification processes and management controls, robust budgeting and forecasting and continuous sensitivity analysis. This also includes consideration of the risks to which related party entities, including the parent company and subsidiary companies, are exposed.*

The company is financed by interest and dividends received from its subsidiary company, South East Water Limited (SEWL) and pays dividends and interest to its parent company, Hastings Water (UK) Limited (HWUK).

In the event that SEWL does not pay interest and/or dividends, SEWH may be unable to pay interest to HWUK. In the absence of other protections, this might result in SEWH no longer being considered a going concern. However, the terms of the intercompany loan from HWUK to SEWH specifically protect the regulatory ring-fence by allowing SEWH to roll up any interest that it is unable to pay and for this to be added to the principal outstanding. The loan agreement further sets out that SEWH will not be in default of its obligations under the loan agreement solely by virtue of its inability to make payment of any deferred interest amount.

As the company is part of the wider HDF group, the directors have assessed the going concern review that has been completed for that group. As a result of higher operating costs and additional capital expenditure, the HDF group has forecast a net cash outflow position before financing inflows over the going concern period of 12 months to December 2025. The directors are aware that the financial statements of South East Water Limited for the year ended 31 March 2024 contained a material uncertainty on going concern as the required liquidity had not been secured at the date of signing the financial statements, 9 July 2024.

In August 2024 SEWL secured £50 million in a new loan and on 12 December SEWL agreed with its lenders to extend the maturity of a £120 million loan to June 2026, from December 2025. In December 2024 HDF's shareholders provided an additional £75 million of liquidity to reduce gearing and enable the extension of the £120 million loan.

The directors note the provision of additional equity by the shareholders of HDF. Following the provision of additional equity, HDF has in turn provided additional equity to the company's immediate parent, and HWUK has provided additional equity to the company. The company has provided additional equity to its direct subsidiary SEWL. Following the provision of additional equity, the directors believe that the HDF group will have sufficient liquidity over the going concern period to December 2025 to deliver its business plan, and to meet its regulatory obligations and financial commitments as they fall due.

In adopting this going concern basis of preparation for these financial statements, the Directors have considered the HDF group's overall financial position including the latest cash flow forecast shared with the board. The directors have also noted that the HDF group has no debt maturities until June 2026. The directors are also aware that the going concern review for HDF for the year ended 31 March 2024 concluded that there was a material uncertainty in respect of going concern due to uncertainty in respect of the outcome of the PR24 Final Determination and the potential for this to trigger further downgrades across the sector. A future downgrade of one of South East Water's credit ratings could make it harder for the group to raise equity or new debt in future periods, beyond the 12 month going concern period and may include agreeing undertakings with Ofwat.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least one year from the date of approval of the financial statements and to meet its obligations as they fall due. For this reason the board considers it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

In making this assessment, the directors have considered the uncertainty regarding the PR24 Final Determination and the potential impact this could have on SEW's credit rating. This uncertainty represents a material uncertainty at the date of this report that could cast significant doubt on the company's ability as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern."

The independent audit report, contained within the audited financial statements of SEWH for the financial year ended 31 March 2024 contains the following material uncertainty related to going concern (found on pages 5 and 6 of https://cdn.southeastwater.co.uk/Investor+portal/South+East+Water+(Holdings)+Ltd/SEWHoldingsAccounts2024.pdf).

"*In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern*.

HDF is the ultimate parent company of South East Water Limited (SEWL), which with its subsidiaries together form 'the group'. South East Water (Holdings) Limited (SEWH) is the immediate parent of SEWL.

As detailed in note 1 there has been an injection of £75m of equity investment into the group by the ultimate shareholders to provide additional liquidity, reduce gearing and enable the extension in December 2024 of the £120m debt facility at SEWL by 6 months to June 2026. The PR24 final determination has not been issued as at the date of approval of these financial statements.

The group has to comply with a number of financial covenants based on interest cover and gearing ratios, both on a retrospective and a prospective basis, the breach of which would result in a Trigger Event or an Event of Default.

In November 2024, a credit agency downgraded the credit rating of South East Water (Finance) Limited, a finance subsidiary of SEWL by one notch to Baa3, which is the lowest investment grade credit rating available. It is possible that inherent factors in the water industry, which are outside of the control of the directors, in particular the outcome of the PR24 final determination could result in further credit rating downgrades in the sector, including for the group. This could lead to possible difficulty for the group in refinancing debt beyond the period of management's assessment of 12 months from the date of approval of the financial statements and may include agreeing undertakings with Ofwat. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate."

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

Bonds, 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 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 Issuer does not intend to provide any post-issuance information in relation to any issues of Bonds.

Material Contracts

SEW, SEWH, the Cayman Issuer and the Issuer have not entered into contracts outside the ordinary course of its business, which could result in SEW or any member of its group being under an obligation or entitlement that is material to SEW's ability to meet its obligation to holders of Bonds in respect of the Bonds being issued.

Third Party Information

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

Activities of the Dealers

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 Issuer, the Guarantors and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer, the Guarantors and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, the Guarantors and their affiliates. Certain of the Dealers of their affiliates that have a lending relationship with the Issuer and the Guarantors routinely hedge their credit exposure to the Issuer, the Guarantors and their affiliates 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. 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. 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 Issuer in such jurisdiction.

INDEX OF DEFINED TERMS

The following terms are used throughout this Prospectus:

"**2009 Final Determination**" means the final price determination made by Ofwat in respect of the AMP5 Period.

"**Acceleration of Liabilities**" or "**Acceleration**" means an acceleration of any Secured Liabilities or termination of a commitment (or equivalent action) including:

(a) the delivery of a termination notice from a Finance Lessor or SEW terminating the leasing of Equipment under a Finance Lease;

(b) the delivery of a notice by SEW 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 Documents and in accordance with the STID,

"**acceleration**" and "**accelerate**" will be construed accordingly.

"**Accession Date**" means 25 August 2026.

"**Accession Memorandum**" means (a) with respect to the STID, each memorandum to be entered into pursuant to Clause 2 (Accession) or Clause 19 (Benefit of Deed) (as applicable) of the STID and (b), with respect to the Bond Trust Deed, a memorandum in substantially the form set out in Schedule 5 to the Bond Trust Deed pursuant to which a Financial Guarantor accedes to the Bond Trust Deed.

"**Account Bank**" means HSBC Bank plc or any successor account bank appointed pursuant to the Account Bank Agreement.

"**Account Bank Agreement**" means the account bank agreement dated 30 October 2014 between, among others, the Obligors, the Cayman Issuer, the Standstill Cash Manager, the Account Bank and the Security Trustee (as amended and restated from time to time).

"**Additional Secured Creditor**" means any person not already a Secured Creditor which becomes a Secured Creditor pursuant to the accession provisions of the STID.

"**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.

"**Adjusted Lease Reserve Amount**" means, in respect of any Finance Lease and from the commencement of a Standstill in any 12 month period commencing on 1 April in any year, the relevant portion of the Annual Finance Charge for such 12 month period or, as the case may be, the Pre-Test Period relating to such Finance Lease as calculated pursuant to paragraph 5.10 of Schedule 11 (Cash Management) of the CTA.

"**Affiliate**" means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company (other than in any Hedging Agreement when used in relation to a Hedge Counterparty, where "**Affiliate**" has the meaning given to it in that Hedging Agreement).

"**Agency Agreement**" means the agreement dated on or about the Accession Date between the Issuer, SEW and the Agents referred to therein, and any other agency agreement dated thereafter, under which, among other things, the Principal Paying Agent is appointed as issuing agent, principal paying agent and agent bank for the purposes of the Programme (as amended and restated from time to time).

"**Agent**" means the Agent Bank, the Principal Paying Agent, the Registrar, the Transfer Agent and any Paying Agent or any other agent appointed by the 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.

"**AMP**" means an asset management plan submitted by SEW to the economic regulator in respect of a five-year period.

(a) "**AMP Period**" means a five-year period in relation to which an asset management plan is submitted by SEW to the economic regulator and in this respect: "**AMP2 Period**" means the AMP Period commencing on 1 April 1995; "**AMP3 Period**" means the AMP Period commencing on 1 April 2000; "**AMP4 Period**" means the AMP Period commencing on 1 April 2005; "**AMP5 Period**" means the AMP Period commencing on 1 April 2010; "**AMP6 Period**" means the AMP Period commencing on 1 April 2015; "**AMP7 Period**" means the AMP Period commencing on 1 April 2020; and "**AMP8 Period**" means the AMP period commencing on 1 April 2025.

(b) "**AMP2**" means the asset management plan prepared for the AMP2 Period.

(c) "**AMP3**" means the asset management plan prepared for the AMP3 Period.

(d) "**AMP4**" means the asset management plan prepared for the AMP4 Period.

(e) "**AMP5**" means the asset management plan prepared for the AMP5 Period.

(f) "**AMP6**" means the asset management plan prepared for the AMP6 Period.

(g) "**AMP7**" means the asset management plan prepared for the AMP7 Period.

(h) "**AMP8**" means the asset management plan prepared for the AMP8 Period.

"**Ancillary Documents**" means the valuations, reports, legal opinions, tax opinions, accountants' reports 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 each 12 month period commencing 1 April in any year, the aggregate of all interest (or amounts in the nature of interest) due or to become due (after taking account of the impact on interest rates of any Hedging Agreements then in place) during that 12 month period on the Senior Debt, Debenture Stock, any Financial Guarantee Fee payable to any Financial Guarantor within that 12 month period, all fees and commissions payable to each Finance Party within that 12 month period and the Lease Reserve Amounts and Adjusted Lease Reserve Amounts falling due in that 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 Test Period 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 SEW Financing Group from a third party during such period (except any interest received or receivable under the Intra-Group Loans).

"**Applicable Accounting Principles**" means UK-IAS or FRS 101, standards and practices as applied from time to time.

"**Appointed Business**" or "**Regulated Business**" means the appointed business of a "relevant undertaker" (as that term is defined by Section 219 of the WIA).

"**Arranger**" means NatWest Markets Plc, the arranger of the Programme.

"**Associate**" means:

(a) any person who has a Controlling interest in any member of the SEW Financing Group; or

(b) any person who is Controlled by a member of the SEW Financing Group,

and in each case, any Affiliate of such person.

"**Auditors**" means the independent auditors, PricewaterhouseCoopers LLP.

"**Authorised Credit Facility**" means any facility or agreement entered into by the Issuer or SEW for Senior Debt or Subordinated Debt as permitted by the terms of the CTA or for the issue of Financial Guarantees in relation thereto, the providers of which have acceded to the STID and the CTA, and includes the Liquidity Facilities, the Issuer/SEW Loan Agreements, the Bonds, the Finance Leases, the Hedging Agreements, the Financial Guarantee Fee Letters, the G&R Deeds 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 Agreements).

"**Authorised Credit Provider**" means a lender or other provider of credit or financial accommodation under any Authorised Credit Facility and includes each Financial Guarantor for so long as any Financial Guarantee issued by that Financial Guarantor is outstanding, and each Bondholder.

"**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 issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short-term Rating;

(c) any other obligations provided that in each case the relevant investment has the Minimum Short-term Rating and is either denominated in pounds sterling or (following the date on which the UK becomes a Participating Member State) Euro or has been hedged in accordance with the Hedging Policy;

(d) in respect of sums credited to the First Loss Account, the Cayman Issuer's or the Issuer's O&M Reserve Account, any Debt Service Payment Account, any money market funds or equivalent investments which have a rating of at least AAA by S&P or Aaa by Moody's, and in respect of sums credited to any other bank account of an Obligor and the Cayman Issuer, any money market funds or equivalent investments which have a rating of at least AA- by S&P or Aa3 by Moody's; or

(e) any deposits made with the Account Bank, provided that the aggregate overnight deposits and other overnight amounts held with the Account Bank do not exceed £1,000,000 (the "Deposit Limit") provided however that it shall not be a breach of the Deposit Limit (nor, for the avoidance of doubt, of any Transaction Document) if overnight deposits and other overnight amounts held with the Account Bank exceed £1,000,000 in aggregate but are less than £2,000,000 in aggregate if such aggregate balance is reduced to (or below) the Deposit Limit within 5 Business Days after the date on which the Deposit Limit was originally exceeded

"**Authorised Signatory**" means any person who is duly authorised by any Obligor, including the Cayman Issuer or any Party and in respect of whom a certificate has been provided signed by a director of that Obligor or the Cayman Issuer or such Party setting out the name and signature of that person and confirming such person's authority to act.

"**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.

"**Base Cash Flows**" means the annual cash flows of the amount of costs netted off against the amount of receipts and savings in respect of each Relevant Change of Circumstance, Notified Item and relevant disposal of land (as defined in the Licence).

"**Base Currency**" means pounds sterling.

"**Bearer Bonds**" means those of the Bonds which are in bearer form.

"**Bondholders**" means the holders from time to time of the Bonds.

"**Bonds**" means the Wrapped Bonds and the Unwrapped Bonds, as the context may require, and "**Bond**" shall be construed accordingly.

"**Bond Trust Deed**" means the bond trust deed dated on or about the date of the CTA between, among others, the Issuer, the Initial Financial Guarantor and the Bond Trustee, and any other bond trust deed dated thereafter (including the bond trust deed dated 25 August 2026 in respect of the Programme), under which Bonds will, on issue, be constituted and any bond trust deed supplemental thereto.

"**Bond Trustee**" means Deutsche Trustee Company Limited or any successor trustee appointed pursuant to the Bond Trust Deed for and on behalf of the relevant Bondholders.

"**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 U.S. 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.

"**Calculation Agency Agreement**" means, in relation to the Bonds of any Tranche, an agreement in or substantially in the form of Schedule 1 of the Agency Agreement.

"**Calculation Agent**" means, in relation to any Tranche of Bonds, the person appointed as calculation agent in relation to such Tranche of Bonds by the 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 Tranche of Bonds.

"**Calculation Amount**" means the amount set out 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 30 September 2026 or any other calculation date agreed as a result of a change in the financial year end date of any Obligor or the Cayman Issuer.

"**Capex Contract**" means any agreement pursuant to which SEW outsources goods and services which are Capital Expenditure.

"**Capex Reserve Account**" means the account of SEW titled "Capex Reserve Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time.

"**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 SEW Business Financial Model) relating to the acquisition of equipment, fixed assets, real property, intangible assets and other assets of a capital nature, or for the replacement 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 and non-infrastructure, infrastructure renewals expenditure or quality and supply-demand and other service enhancement expenditure.

"**Capital Maintenance Expenditure**" means investment expenditure (net of associated grants and contributions) incurred (or, in respect of any future period, forecast to be incurred in the SEW Business Financial Model) on maintaining base service levels in the Appointed Business but excluding any investment 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 SEW Business Financial Model).

"**Cash Expenses**" means the aggregate of all expenses including Capital Expenditure incurred by SEW in any period (excluding depreciation, IRC and interest on Financial Indebtedness).

"**Cash Manager**" means HSBC Bank plc during a Standstill Period in its capacity as Standstill Cash Manager under the CTA, or any successor Standstill Cash Manager, and at all other times SEW.

"**CAT**" means the Competition Appeal Tribunal of the United Kingdom.

"**Cayman Issuer**" means South East Water (Finance) Limited, a company incorporated with limited liability in the Cayman Islands with registered number MC-136473).

"**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 SEW in Ofwat's most recent Final Determination adjusted as appropriate for any subsequent IDOK 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, "**CCD**" shall be SEW's good faith, honestly held present estimate of such expenditure for such Test Period.

"**CCW**" means the Consumer Council for Water.

"**CIBC**" means Canadian Imperial Bank of Commerce, London Branch.

"**Clearstream, Luxembourg**" means Clearstream Banking, société anonyme.

"**Common Agreements**" means the Security Documents, the Bond Trust Deed, the CTA, the Master Definitions Agreement, the Account Bank Agreement, the CP Agreement, the Tax Deeds of Covenants, the

Calculation Agency Agreement and any Finance Document to which no Secured Creditor other than the Security Trustee and/or the Issuer and/or any Agent is a party.

"**Common Terms Agreement**" or "**CTA**" means the common terms agreement entered into on the Initial Issue Date as amended and restated from the Effective Date and as amended and/or restated from time to time between, among others, the Obligors, the Cayman Issuer, the Initial Financial Guarantor and the Security Trustee, and which contains certain representations and covenants of the Obligors, the Cayman Issuer and Events of Default.

"**Companies Act**" means the United Kingdom Companies Act 1985 or the Companies Act 2006, each as amended from time to time, as applicable.

"**Company**" means SEW.

"**Competition Act**" means the United Kingdom Competition Act 1998.

"**Competition Commission**" or "**CC**" means the United Kingdom Competition Commission.

"**Compliance Certificate**" means a certificate, substantially in the form of Schedule 9 (*Form of Compliance Certificate*) of the CTA in which each of the Issuer and SEW, 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 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 Average Adjusted ICR**" means

(i) the sum of 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

"**Construction Output Price Index**" means the index issued by the Department of Trade and Industry, varied from time to time, relating to price levels of new build construction based on a combination of logged values of tender price indices, labour and materials cost indices and on the value of new construction orders in the United Kingdom.

"**Contractor**" means any person (being either a single entity, consortium or joint venture) that is a counterparty to an Outsourcing Agreement or Capex Contract.

"**Control**" of one person by another person means 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 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**" means the High Court of England and Wales.

"**CP Agreement**" means the conditions precedent agreement dated 25 August 2026 between, among others, the Bond Trustee, the Security Trustee, and the Obligors.

"**CRA Regulation**" means Regulation (EC) No 1060/2009 on credit rating agencies.

"**Currency Hedging Agreement**" means any Hedging Agreement with a Hedge Counterparty in respect of a currency exchange transaction.

"**Date Prior**" means, at any time, the date which is one day before the next Periodic Review Effective Date.

"**Dealers**" means NatWest Markets Plc and CIBC and any other entity which the 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 Issuer in accordance with the provisions of the Dealership Agreement but excluding any entity whose appointment has been terminated in accordance with the provisions of the Dealership Agreement and notice of such termination has been given to the Principal Paying Agent and the Bond Trustee by the 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 Issuer has agreed the issue of the Bonds of such Tranche and "**Dealer**" means any one of them.

"**Dealership Agreement**" means the agreement dated on or about the Accession Date and any other agreement thereafter, between the Issuer, the Obligors 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.

"**Debenture Stock**" means the perpetual debenture stock of SEW as follows:

(a) the £24,690 3 per cent. perpetual debenture stock;

(b) the £383,863 3.5 per cent. perpetual debenture stock;

(c) the £173,074 4 per cent. perpetual debenture stock;

(d) the £358,400 5 per cent. perpetual debenture stock;

(e) the £850 5.5 per cent. perpetual debenture stock; and

(f) the £36,170 6 per cent. perpetual debenture stock.

"**Debt Service Payment Account**" means, in relation to the Issuer, the bank account opened and maintained by the Issuer for the purposes of the Finance Documents, as notified by the issuer to the Security Trustee and the Cash Manager from time to time, and in relation to South East Water (Finance Limited), the account of the Issuer titled “Debt Service Payment Account” held at the Account Bank with sort code 20-00-00 and account number 80867373 and includes any sub-account relating to that account and any replacement account from time to time, unless expressly referred to as the “**Debt Service Payment Account of SEW**”, in which case it means the account of SEW titled “Debt Service Payment Account” held at the Account Bank with sort code 20-27-91 and account number 10223670 and includes any sub-account relating to that account and any replacement account from time to time (together. the “**Debt Service Payment Accounts**”).

“**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 SEW to be raised during such Financial Year on the basis of the announced charges and the revenue that would have accrued if SEW 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 Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the 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 Schedule 2, Part C 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 having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue.

“**DEFRA**” means the United Kingdom Department for the Environment, Food and Rural Affairs.

“**Desjardins**” means Desjardins Employees Pension Fund.

“**Determination Date**” means the date which is seven Business Days prior to each Payment Date.

“**DETR**” means the Department of the Environment, Transport and the Regions which had responsibility for the Environment prior to DEFRA.

“**DGWS**” or “**Director General**” means the Director General of Water Services appointed under Section 1 of the WIA and any relevant successor bodies to the Director General of Water Services.

“**DIG Directions Request**” means a written notice of each DIG Proposal sent by the Security Trustee to the relevant DIG Representatives pursuant to the STID.

“**DIG Proposal**” means a proposal pursuant to the STID requiring a Majority Creditor decision in relation to the resignation of the Security Trustee or any vote to terminate or extend Standstill in accordance with the STID.

“**Directors**” means the Board of Directors for the time being of the Issuer or, as the case may be, the relevant Obligor, including the Cayman Issuer.

“**Discharge Date**” means the date on which all obligations of the Issuer and SEW under the Finance Documents have been irrevocably satisfied in full and no further obligations are capable of arising under the Finance Documents.

"**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 or Affiliate 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 the agreement between SEW and Hastings Funds Management (UK) Limited in relation to the provision of financial and corporate strategy services) to the extent that the aggregate of all such payments does not exceed £3,000,000 (indexed) in any consecutive 12 month period;

(b) any payments made to such persons pursuant to any Outsourcing Agreements and/or Capex Contracts which were entered into and remain in compliance with the Outsourcing Policy;

(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 £100,000 (indexed) in any consecutive 12 month period;

(d) payments made to the Issuer under the Issuer/SEW Loan Agreement; or

(e) any payments made to such person in respect of a Permitted Post Closing Event.

"**Drawstop Event**" means the occurrence of:

(a) an Event of Default;

(b) a Potential Event of Default; or

(c) each Trigger Event or Potential Trigger Event other than in respect of the Relevant Trigger Events.

"**DSR Liquidity Facility**" means a debt service reserve liquidity facility made available under a Liquidity Facility Agreement.

"**DSR Liquidity Facility Agreement**" means any agreement establishing a DSR Liquidity Facility.

"**DSR Liquidity Facility Provider**" means each of Crédit Agricole Corporate and Investment Bank and Canadian Imperial Bank of Commerce, London Branch, or any other lender under a DSR Liquidity Facility Agreement.

"**DWI**" means the England and Wales Drinking Water Inspectorate.

"**EA**" means the England and Wales Environment Agency.

"**Early Redemption Amount**" has the meaning, in relation to a Sub-Tranche of Bonds, given to such term in the Conditions relating to such Sub-Tranche of Bonds.

"**Eastbourne**" means Eastbourne Water Plc.

"**Eastern Region**" means the counties of Kent and Sussex.

"**Effective Date**" means 14 December 2007.

"**EIN Signatories**" means the DIG Representatives representing 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Senior Debt (or following the repayment in full of the Senior Debt, after excluding the Qualifying Debt in respect of which the Bond Trustee is the Senior DIG Representative and in respect of which the Bond Trustee in its absolute discretion has not voted).

"**Emergency**" means the disruption of the normal service of the provision of water or wastewater services which is treated as an emergency under SEW's policies, standards and procedures for emergency planning manual (EMPROC) (as amended from time to time).

"**Emergency Instruction Notice**" means a notice, setting out the written instructions of the EIN Signatories given to the Security Trustee after (in the case of a STID Proposal) the date specified in the STID Directions Request, being not less than 10 Business Days or (in the case of a DIG Proposal) the date specified in the DIG Directions Request being not less than five Business Days after the date that the STID Directions Request or DIG Directions Request (as applicable) is deemed to be given in accordance with Clause 17.3 (Effectiveness) of the CTA.

"**Emergency Instruction Procedure**" means an emergency instruction procedure provided for in the Intercreditor Arrangements, subject to Entrenched Rights and Reserved Matters, to cater for circumstances when a Default Situation is subsisting, and certain decisions and instructions may be required in a timeframe which does not allow the Bond Trustee to convene Bondholder meetings.

"**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 Hedge Termination) 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.

"**Enterprise Act**" means the Enterprise Act 2002.

"**Entrenched Rights**" means the rights of the Secured Creditors provided by the terms of Clauses 8.3 to 8.7 (inclusive) of the STID and summarised in Chapter 7 "Summary of the Financing Agreements" under "Security Trust and Intercreditor Deed" of this Prospectus.

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by any person pursuant to any Environmental Law;

"**Environmental Law**" means any applicable law (including DETR Circular 02/2000) in force in any jurisdiction in which SEW 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.

"**Environmental Permits**" or "**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 SEW.

"**Equipment**" means, in relation to a 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.

"**EU**" means the European Union.

"**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 on the Functioning of the European Union, as amended, from time to time.

"**Euroclear**" means Euroclear Bank S.A./N.V.

"**Event of Default**" means (other than in any Hedging Agreement when used in relation to a Hedge Counterparty, where "**Event of Default**" has the meaning given to it in that Hedging Agreement) an event specified as such in Schedule 6 of the CTA (*Events of Default*) as more particularly described in Chapter 7 "*Summary of the Financing Agreements*" under "*Security Trust and Intercreditor Deed*" of this Prospectus.

"**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 9.3 (Notice to Secured Creditors of STID Proposal) and Clause 9.6 (DIG Directions Request) of the STID, respectively, on the date that the STID Proposal or DIG Proposal (as applicable) is dated; and

(b) in any other case, on the date as of which calculation of the Equivalent Amount of the Outstanding Principal Amount is required,

and, in each case, as notified by the Agent Bank to the Security Trustee.

"**Excluded Accounts**" means the Issuer's O&M Reserve Account and First Loss Account to the extent the balance standing to the credit of such accounts is attributable to a Standby Drawing under the relevant Liquidity Facility.

"**Excluded Insurance Proceeds Amount**" means, at any date, the aggregate of all proceeds of insurance received by SEW to cover the capital cost of re-instatement of assets which have not been applied by SEW in accordance with paragraph 6.5 of Schedule 11 (Cash Management) to the CTA; provided that if such aggregate is an amount less than £1,000,000 (indexed) then the "Excluded Insurance Proceeds Amount" on such date shall be zero.

"**Excluded Non-Appointed Expenses**" means in respect of any Test Period, up to £5,000,000 (indexed) in aggregate, of expenses paid by SEW, and associated costs incurred by SEW in connection with the collection of customer receipts by SEW, in respect of wastewater services provided to customers of SEW by an Excluded Non-Appointed Expenses Permitted Counterparty.

"**Excluded Non-Appointed Expenses Permitted Counterparty**" means a company which holds an instrument of appointment under sections 6 and 11 of the WIA (or any successor legislation) pursuant to which it has been appointed as a sewerage undertaker for the areas described in SEW's Instrument of Appointment, as modified or amended from time to time.

"**Existing DSR Liquidity Facility Agreement**" means the DSR Liquidity Facility entered into between the DSR Liquidity Facility Providers, SEW and the Cayman Issuer on 16 June 2021 and as most recently renewed on 19 June 2026.

"**Extraordinary Resolution**" means a resolution passed by a meeting of 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 at such meeting.

"**Facility Agent**" means any facility agent under any Authorised Credit Facility.

"**FG Event of Default**" means (A) in relation to the Initial Financial Guarantor:

(a) any Guaranteed Amount which is Due for Payment (each as defined under the relevant Financial Guarantee) is unpaid by reason of non-payment by the Issuer and is not paid by such Financial Guarantor on the date stipulated in the relevant Financial Guarantee;

(b) such Financial Guarantor disclaims, disaffirms, repudiates and/or challenges the validity of any of its obligations under the relevant Financial Guarantee or seeks to do so;

(c) a court of competent jurisdiction enters a final and non-appealable judgment or decree for the winding-up, or the appointment of an administrator or receiver (including an administration receiver or manager) of such Financial Guarantor (or, as the case maybe, of a material part of its property or assets);

(d) such Financial Guarantor:

(i) presents any petition, commences any case or takes any proceedings for the winding-up or the appointment of an administrator or receiver (including as administrative receiver or manager), of such Financial Guarantor (or as the case may be, of a material part of its property or assets);

(ii) makes or enters into any general assignment, composition, arrangement (including a voluntary arrangement under the Insolvency Act 1986) or compromise with or for the benefit of any of its creditors; or

(iii) becomes unable to pay its debts within the meaning of section 123(1)(e) or 123(2) of the Insolvency Act or has admitted in writing its inability, or fails generally to pay its debts as they become due; and

(B) in relation to any other Financial Guarantor, such events as are specified in that Financial Guarantor's G&R Deed or equivalent document and, in relation to Wrapped Bonds, set out in the relevant Final Terms.

"**FG Excepted Amounts**" means any additional amounts relating to premium, prepayment or acceleration, accelerated amounts, gross up amounts and Subordinated Coupon Amounts.

"**Final Determination**" means the final price determination made by Ofwat on a five-yearly basis.

"**Final Terms**" means the final terms issued in relation to each Tranche or Sub-Tranche of Bonds as a supplement to the Conditions and giving details of the Tranche or Sub-Tranche.

"**Finance Documents**" means:

(a) the Security Documents;

(b) the Bond Trust Deed;

(c) the Bonds (including the applicable Final Terms);

(d) the Financial Guarantees;

(e) the G&R Deeds;

(f) the Financial Guarantee Fee Letters;

(g) the Finance Lease Documents;

(h) the Hedging Agreements (and any other credit support or collateral documentation entered into in connection therewith or pursuant thereto);

(i) the Common Terms Agreement;

(j) the Issuer/SEW Loan Agreements;

(k) the SEW/SEWH Loan Agreement;

(l) the Initial Subordinated Loan Agreement;

(m) the HWUK/SEWH Loan Agreement;

(n) the Liquidity Facility Agreements;

(o) the Agency Agreement;

(p) the Master Definitions Agreement;

(q) the Account Bank Agreement;

(r) the CP Agreement;

(s) any other Authorised Credit Facilities;

(t) the Tax Deeds of Covenant;

(u) the US Tax Acknowledgement Deed;

(v) the Indemnification Deed;

(w) the Insurance and Indemnity Agreements;

(x) the Resignation and Substitution Deed;

(y) each agreement or other instrument between SEW or the Issuer (as applicable) and an Additional Secured Creditor designated as a Finance Document by SEW or the Issuer (as applicable), 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 the finance leases entered into on or prior to the Initial Issue Date and any other finance lease entered into by SEW or the Issuer 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 which has entered into or which will enter into a Finance Lease with SEW, 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 all arrangers, agents and trustees appointed in connection with any such Authorised Credit Facility.

"**Financial Guarantee Fee**" means any fees payable to the Financial Guarantor under a Financial Guarantee Fee Letter.

"**Financial Guarantee Fee Letter**" means any letter or other agreement between a Financial Guarantor and one or more of the Obligors setting out the terms on which premia are payable in relation to one or more Financial Guarantees issued or to be issued by that Financial Guarantor.

"**Financial Guarantees**" means any financial guarantee issued by a Financial Guarantor in respect of any Wrapped Debt and includes the Initial Financial Guarantee and "**Financial Guarantee**" shall be construed accordingly.

“**Financial Guarantor**” means any person, including the Initial Financial Guarantor, which provides a financial guarantee, including the Financial Guarantees, in respect of any of the Wrapped Debt, and “**Financial Guarantors**” means all of them if there is more than one at any time.

“**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;

(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 to any member of the SEW Financing Group);

(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 90 days;

(i) any termination amount due from any member of the SEW 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 SEW’s trading and upon terms usual for such trade);

(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; and

(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 SEW Financing Group to another).

“**Financial Year**” means the 12 months ending on the 31 March in each year or such other period as may be approved by the Security Trustee.

“**First Loss Account**” means the account of the Issuer titled “First Loss Account” held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time.

“**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 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 Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).

"**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 Schedule 3, Part B to the Bond Trust Deed.

"**FSMA**" means the Financial Services and Markets Act 2000, as amended.

"**Further Permitted Tax Loss Transaction**" means, notwithstanding anything in the Tax Deeds of Covenant, any surrender of tax losses or agreement relating to tax benefit or relief (including for the avoidance of doubt an election under section 171A and 179A TCGA) or any other agreements relating to tax (including for the avoidance of doubt the payment of any balancing payment pursuant to and in accordance with the provisions of paragraphs 7A or 7C of Schedule 28AA ICTA) between an Obligor, the Cayman Issuer and HDF (UK) Holdings Limited.

"**Further Tax Deed of Covenant**" means the deed of covenant dated 3 March 2011 entered into between La Caisse de dépôt et placement du Québec, CDP (SEW) Fund, L.P., the Security Trustee, the Initial Financial Guarantor and Financial Security Assurance (U.K.) Limited, which is a "Further Deed" for the purposes of the Hastings Tax Deed of Covenant.

"**G&R Deed**" means a guarantee and reimbursement deed (or agreement of similar name and effect) between, among others, the Issuer, or, as the case may be, SEW and a Financial Guarantor in connection with a particular Sub-Tranche of Wrapped Bonds or any other Wrapped Debt.

"**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 of the Third Schedule to the Bond Trust Deed with such modifications (if any) as may be agreed between the 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-Tranche sold outside the United States or to non-U.S. persons in reliance on Regulation S under the Securities Act, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealers(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 SEW having regard to the regulatory pricing allowances and practices in England and Wales' regulated water industry at the relevant time.

"**Government**" means the government of the United Kingdom.

"**Group**" means HWUK and its Subsidiaries.

"**Guarantee**" means, in relation to each of SEW, SEWH, the Issuer and the Cayman Issuer,, the guarantee of SEW, SEWH, the Issuer and the Cayman Issuer given by it pursuant to the Security Document to which it is a party.

"**Guarantors**" means the SEWH, SEW, the Cayman Issuer and the Issuer, each a "**Guarantor**".

"**Hastings**" means Hastings Funds Management Limited.

"**Hastings Tax Deed of Covenant**" means the deed of covenant dated on or about 9 October 2006 entered into between HDF (UK) Holdings Limited, Utilities of Australia Pty Limited in its capacity as trustee of Utilities Trust of Australia, Hastings Fund Management Limited in its capacity as responsible entity of HDUF Finance

Trust, the Security Trustee, the Initial Financial Guarantor and, from and including 14 December 2007, Financial Security Assurance (U.K.) Limited.

"**HDUF**" means Hastings Diversified Utilities Fund.

"**Hedge Counterparty**" means any counterparty to a Hedging Agreement which is or becomes party to the STID in accordance with the STID and "**Hedge Counterparties**" means all such parties.

"**Hedging Agreement**" means any Treasury Transaction entered or to be entered into by the Issuer with Hedge 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 certain provisions of Schedule 7 (Hedging Policy and Overriding Provisions Relating to Hedging Agreements) to the CTA) and references to "**Hedging Agreements**" shall be construed accordingly.

"**Hedging Policy**" means the initial hedging policy applicable to SEW and the Issuer set out in Schedule 7 (Hedging Policy and Overriding Provisions Relating to Hedging Agreements) of the CTA as such hedging policy may be amended from time to time by agreement between the Security Trustee, the Issuer and, in certain circumstances, the Hedge Counterparties in accordance with the STID.

"**HLux**" means Hastings Luxembourg Water S.à.r.l. (formerly Macquarie Luxembourg Water S.à.r.l.), a company incorporated in the Grand Duchy of Luxembourg with registration number B100413.

"**Holding Company**" means a holding company within the meaning of section 736 of the Companies Act 1985.

"**HWUK**" means Hastings Water (UK) Limited (formerly Macquarie Water (UK) Limited), a company incorporated in England and Wales with limited liability under company number 04866247.

"**HWUK/SEWH Loan Agreement**" means the loan agreement entered into between HWUK and SEWH on the Initial Issue Date.

"**ICR**" means, in respect of a Test Period, the ratio of Net Cash Flow for such Test Period to Senior Debt Interest for such Test Period.

"**IDOK**" means an interim determination of K as provided for in Part IV of Condition B of the Licence.

"**Income**" means any interest, dividends or other income arising from or in respect of an Authorised Investment.

"**Indemnification Deed**" means the deed so named and entered into on or about the date of the Dealership Agreement between the Obligors, the Initial Financial Guarantor and the Dealers.

"**Independent Review**" means an independent review resulting from a Trigger Event as set out in paragraph 3, Part 2 (Trigger Event Consequences) of Schedule 5 to the CTA and set out in Chapter 7 "Summary of the Financing Agreements" under "Common Terms Agreement".

"**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 Issuer and the relevant Dealer(s) may agree (as indicated in the relevant Final Terms).

"**Individual Bond Certificate**" means a Registered Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the 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 Schedule 3, Part B of 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.

“**Initial CP Agreement**” means the CP agreement entered into, between others, the Initial Financial Guarantor and the Cayman Issuer on the Initial Issue Date.

“**Initial Financial Guarantee**” means the financial guarantee issued by the Initial Financial Guarantor (subject to the satisfaction of certain conditions set out in the Initial CP Agreement) in connection with the Sub-Tranches of Wrapped Bonds issued on the Initial Issue Date.

“**Initial Financial Guarantor**” means Ambac Assurance UK Limited.

“**Initial Issue Date**” means 27 July 2004.

“**Initial Wrapped Bonds**” means the bonds issued by the Cayman Issuer that have the benefit of a guarantee from a Financial Guarantor.

“**Insolvency Act**” means the Insolvency Act 1986.

“**Instalment Bonds**” means any Bonds specified as being instalment bonds in the relevant Final 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.

“**Intercompany Loan**” means the principal amount of all advances from time to time outstanding under an Issuer/SEW Loan Agreement.

“**Intercreditor Arrangements**” means the arrangements between the Secured Creditors of the SEW Financing Group in the STID summarised in Chapter 7 “Summary of the Financing Agreements” under “Security Trust and Intercreditor Deed”.

“**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 Payment Date**” means any date upon which interest or payments equivalent to interest become payable under the terms of any Authorised Credit Facility.

“**Interest Rate Hedging Agreement**” means a Treasury Transaction to hedge exposure to interest rates.

“**Intra-Group Debt Service Distribution**” means (i) any distribution or payment to be made by SEW for the purpose of providing SEWH with the funds required to enable SEWH to meet its scheduled payment obligations under paragraph (a) of the definition of Intra-Group Loans and (ii) any distribution or payment in respect of a Permitted Tax Loss Transaction or a Further Permitted Tax Loss Transaction.

“**Intra-Group Loans**” means the amounts outstanding, from time to time, in respect of the following:

(a) any financial indebtedness between members of the SEW Financing Group from time to time; and

(b) any other financial indebtedness granted by a member of the SEW Financing Group to a member of the Group which is not a member of the SEW Financing Group permitted from time to time to be made as Restricted Payments.

“**Investment Grade**” means a rating of at least Baa3 by Moody’s or BBB- by S&P.

"**Investors' Report**" means each report produced by SEW and the Issuer to be delivered within 120 days from 31 March in each year substantially in the form set out in 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 SEW in Ofwat's most recent Final Determination adjusted as appropriate for any subsequent IDOK 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 SEW's good faith, honestly held present estimate of such infrastructure renewals charge for such Test Period.

"**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.

"**Issue Date**" means the date of issue of any Tranche 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 the 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.

"**Issuer**" means South East Water Issuer PLC, a public company incorporated under the laws of England and Wales with registered number 17249934.

"**Issuer Annual Finance Charge**" means in respect of each 12 month period commencing 1 April in any year, the aggregate of all interest (or amounts in the nature of interest) due or to become due (after taking account of the impact on interest rates of any Hedging Agreement then in place) by the Issuer on the Senior Debt, any Financial Guarantee Fee payable to any Financial Guarantor within that 12 month period, all fees and commissions payable to each Finance Party by the Issuer within that 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 Test Period 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 the Issuer from a third party during such period (excluding interest received or receivable under the Intra-Group Loans).

"**Issuer Monthly Payment Amount**" has the meaning set out in paragraph 5.9 of Schedule 11 (*Cash Management*) to the CTA, approximately (and subject to adjustment) equal to $^{1}/_{12}$th of the Issuer Annual Finance Charge for the relevant 12 month period.

"**Issuer/SEW Loan Agreement**" means any loan agreement entered into between the Issuer and SEW.

"**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 by SEW but shall exclude any arrangements or framework agreements entered into with a Contractor which are in accordance with and subject to the Outsourcing Policy.

"**K**" means the adjustment factor set for each year by the DGWS by which charges made by Regulated Companies for water supply services may be increased, decreased or kept constant.

"**Lead Manager**" means in relation to any Tranche of Bonds, the person named as the lead manager in the relevant Subscription Agreement.

"**Lease**" means any Long Term Property Leases and Other Operating Leases provided in each case the lessor has no recourse against SEW other than the subject matter of such lease and such lessors will not share in the Security;

"**Lease Calculation Cashflow**" means, in respect of any 12 month 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 12 month 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 12 month 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 certain 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 12 month period and as agreed between SEW and the relevant Finance Lessor (provided that, where any Finance Lease contains Rentals which are calculated by reference to a fixed rate of interest, any Lease Calculation Cashflow produced in respect of that Finance Lease shall reflect the actual fixed 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 12 month 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 12 month 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 12 month period or the Pre-Test Period, as the case may be.

"**Lease Calculation Date**" means in respect of any Finance Lease entered into on or prior to the Initial Issue Date:

(a) the Initial Issue Date; and

(b) the date falling 10 days before the Rental Payment Date immediately preceding 1 April 2004; and

(c) each anniversary of the date referred to in (b) above,

and in respect of any other Finance Lease:

(i) the date of the Accession Memorandum executed by the relevant Finance Lessor relating to such Finance Lease; and

(ii) the date falling 10 days before the Rental Payment Date immediately preceding the commencement date of the first 12 month period to commence on 1 April immediately after the date referred to in (i) above; and

(iii) each anniversary of the date referred to in (ii) above,

save that where any date referred to in (b), (c) (i), (ii) or (iii) 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 12 month 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 12 month 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).

"**Licence**" or "**Instrument of Appointment**" means the instrument of appointment dated 14 December 2007 under sections 6, 7, 11 and 12 of the WIA (as amended) including modifications and variations made by Ofwat under sections 11 to 17 of that Act under which the Secretary of State for the Environment appointed SEW as a water undertaker under that Act for the areas described in the Instrument of Appointment, as modified or amended from time to time.

"**Liquidity Facility**" means a DSR Liquidity Facility or an O&M Reserve Facility made available under a Liquidity Facility Agreement and "**Liquidity Facilities**" means all of them.

"**Liquidity Facility Agent**" means the Facility Agent under a Liquidity Facility Agreement.

"**Liquidity Facility Agreement**" means each liquidity facility agreement which has the characteristics set out in Schedule 13 (*DSR Liquidity Facility/O&M Reserve Facility Terms*) of the CTA, as established in connection with each Sub-Tranche of Bonds issued by or other Authorised Credit Facility provided to the Issuer, the Cayman Issuer or SEW 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 Arranger**" means the arranger under a Liquidity Facility Agreement.

"**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, including the DSR Liquidity Facility Provider(s) and the O&M Reserve Facility Provider(s).

"**London Stock Exchange**" means The London Stock Exchange plc.

"**Long Term Property Leases**" means any leases entered into on market terms for the use and occupation of a property by or on behalf of SEW where the relevant lease is treated (in whole or in part) as a finance lease, capital lease or hire purchase arrangement under Applicable Accounting Principles and would not have been so treated under Applicable Accounting Principles prior to the introduction of IFRS 16 as applied at 1 April 2019;

"**Majority Creditors**" means the Senior DIG Representatives in respect of more than 50 per cent. of the Voted Qualifying Senior Debt in each case subject to Clause 8 (Modifications, Consents and Waivers) and Clause 9 (Voting, Instructions and Notification of Outstanding Principal Amount of Qualifying Debt) of the STID as set out in Chapter 7 "*Summary of the Financing Agreements*".

"**Make-Whole Amount**" means any amount above par payable on redemption of any Senior Debt except where such amount is limited to accrued interest.

"**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 FCA (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.

"**Master Definitions Agreement**" or "**MDA**" means the master definitions agreement dated 27 July 2004 as amended and restated from time to time between, among others, the Obligors, the Cayman Issuer, the Bond Trustee, the Initial Financial Guarantor and the Security 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 business, property, operations or financial condition of SEW, the Issuer or of the SEW Financing Group as a whole;

(b) the ability of any member of the SEW 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 SEW to perform or comply with any of its 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.

"**Member State**" means a member state of the European Union.

"**MFC Contract**" means the agreement dated on or about 5 April 2007 and entered into between MFC Contracting Limited and SEW for the provision of mainslaying gangs and plant on a dayworks basis primarily to service developer schemes and to supplement in-house resources

"**Mid Southern**" means Mid Southern Water Plc.

"**Mid-Sussex**" means Mid-Sussex Water Plc.

"**Minimum Short-term Rating**" means, in respect of any person, such person's short-term unsecured debt obligations being rated, in the case of Moody's, "Prime-1" and in the case of S&P, "A-1".

"**MKF**" means Mid Kent Financing Limited.

"**MKGPS**" means Mid Kent Group Pension Scheme.

"**MKW**" means Mid Kent Water Limited.

"**Monthly Payment Amount**" means the SEW Monthly Payment Amount and the Issuer Monthly Payment Amount.

"**Moody's**" means Moody's Investors Service Limited, or any successor to the rating agency business of Moody's Investors Service Limited.

"**Moody's Minimum Long-term Rating**" means in respect of any person, such person's long-term unsecured debt obligations being rated Aa3 by Moody's.

"**Net Cash Flow**" means:

(a) in respect of any historical element of a Test Period, the aggregate of net cash flow from operating activities as shown in the SEW financial statements (after adding back, without double counting, and to the extent that such items are included in net cash flow from operating activities, any exceptional items (other than non-cash exceptional items), any recoverable VAT, any Capital Expenditure and any movement in debtors and/or creditors relating to Capital Expenditure) minus corporation tax paid which shall exclude payments in respect of a Permitted Tax Loss Transaction as part of any Intra-Group Debt Service Distribution, during such Test Period; and

(b) in respect of any forward-looking element of a Test Period, the aggregate of anticipated net cash flow from operating activities (after adding back, without double counting and to the extent that such items are included in the anticipated net cash flow from operating activities, any exceptional items (other than non-cash exceptional items), any recoverable VAT, any Capital Expenditure and any movement in debtors and/or creditors relating to Capital Expenditure in each case anticipated to occur during such Test Period) minus corporation tax which shall exclude payments in respect of a Permitted Tax Loss Transaction as part of any Intra-Group Debt Service Distributions anticipated to be paid during such Test Period less any anticipated net cash flow from operating activities of its business other than its Appointed Business and after adding back corporation tax anticipated to be paid as a result of such businesses during such Test Period.

"**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 Expense**" means any expense incurred in connection with activities other than Appointed Business, excluding any Excluded Non-Appointed Expenses.

"**Non-Base Currency**" means a currency other than pounds sterling.

"**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 Ofwat to SEW 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 succeeding 12 month period commencing on 1 April, the amount shown for each Rental Payment Date falling in that relevant 12 month 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.

"**O&M Reserve**" means the amounts standing to the credit of the O&M Reserve Accounts.

"**O&M Reserve Accounts**" means the accounts of SEW and/or the Issuer entitled "O&M Reserve Account" held at the Account Bank and includes any sub-account relating to that account 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 any provider from time to time of an O&M Reserve Facility.

"**O&M Reserve Required Amount**" means not less than 10 per cent. of Projected Operating Expenditure and Capital Maintenance Expenditure required for the next succeeding 12 month period as forecast in the SEW Business Financial Model.

"**Obligors**" means the Issuer, SEW and SEWH and "**Obligor**" means any of them.

"**Official List**" means the official list of the FCA.

"**OFT**" means the Office of Fair Trading in the United Kingdom.

"**Ofwat**" or the "**Authority**" means The Water Services Regulation Authority, including its successor office or body.

"**Ofwat Downgrade Undertakings**" means the undertakings published by Ofwat on 14 July 2026 pursuant to section 19 of the WIA in relation to SEW's failure to maintain two investment grade ratings.

"**Ofwat Operational Undertakings**" means the undertakings published by Ofwat on 14 July 2026 pursuant to section 19 of the WIA in relation to SEW's operational resilience.

"**OISL**" means Optimum Information Systems Limited.

"**Operating Accounts**" means each sub-account of SEW held at the Account Bank with the following titles: South East Water (in respect of payments and receipts); South East Water – Refund Account; South East Water (in respect of Collections) and includes any replacement sub-account or sub-accounts or account(s) from time to time.

"**Order**" means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

"**Other Operating Leases**" means any leases entered into on market terms for the use of any equipment vehicles or any other assets (other than a property) by or on behalf of SEW where the relevant lease is treated (in whole or in part) as a finance lease, capital lease or hire purchase arrangement under Applicable Accounting Principles and would not have been so treated under Applicable Accounting Principles prior to the introduction of IFRS 16 as applied at 1 April 2019.

"**Other Parties**" means the Hedge Counterparties, the Liquidity Facility Providers, the Authorised Credit Providers, the Finance Lessors, the Agents, the Account Bank, the Standstill Cash Manager and members of the Group (other than the Obligors and the Cayman Issuer).

"**Outsourcing Agreement**" means any agreement pursuant to which SEW 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 SEW could, if not outsourced, perform itself.

"**Outsourcing Policy**" means the outsourcing policy set out in Schedule 8 (Outsourcing Policy) to the CTA (as amended or replaced from time to time).

"**Outstanding**" means, in relation to the Bonds of all or any Sub-Tranche, all the Bonds of such Sub-Tranche 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 Condition 8(f) and (h) (Redemption, Purchase and Cancellation — 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 Sub-Tranche;

(ii) the determination of how many and which Bonds of any Sub-Tranche are for the time being outstanding for the purposes of Condition 15 (*Meetings of Bondholders, Modification, Waiver and Substitution*), Clause 9 (*Voting, Instructions and Notification of Outstanding Principal Amount of Qualifying Debt*) of the STID and paragraphs 2, 5, 6 and 13 of Schedule 4 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 Sub-Tranche; 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 Sub-Tranche,

those Bonds of the relevant Sub-Tranche (if any) which are for the time being held by or on behalf of the Issuer, the other Obligors, including the Cayman Issuer, or any Associate of the Issuer or the other Obligors or the Cayman Issuer (other than any Associate which is a licensed or regulated financial institution which holds Bonds in the ordinary course of its business), in each case as beneficial owner, shall (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 Wrapped Debt (unless an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of such Wrapped Debt), the principal amount outstanding (or the Equivalent Amount) under such Wrapped Debt (including, in the case of Wrapped Bonds, any premium);

(b) in respect of Wrapped Debt (if an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of such Wrapped Debt), the principal amount outstanding (or the Equivalent Amount) of such Wrapped Debt (including, in the case of Wrapped Bonds, any premium);

(c) in respect of Unwrapped Debt, the principal amount outstanding (or the Equivalent Amount) of such Unwrapped Debt (including, in the case of Wrapped Debt, any premium);

(d) in respect of any Authorised Credit Facilities that are loans (but do not constitute Wrapped Debt), the principal amount (or the Equivalent Amount) of any drawn amounts that are outstanding under such Authorised Credit Facility;

(e) in respect of each Finance Lease, 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 9.9 (Notification of Outstanding Principal Amount of Qualifying 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);

(f) in respect of a G&R Deed, the aggregate of any unpaid amounts owing to a Financial Guarantor under such G&R Deed to reimburse it for any amount paid by it under a Financial Guarantee in respect of unpaid principal on such Wrapped Debt guaranteed pursuant to such G&R Deed; and

(g) in respect of any other Secured Liabilities, the Equivalent Amount of the outstanding principal amount of such debt on such date in accordance with the relevant Finance Document,

all as most recently certified or notified to the Security Trustee, where applicable, pursuant to Clause 9.9 (Notification of Outstanding Principal Amount of Qualifying 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 adjusted, as appropriate, in the case of capital additions, for any divergence between the actual movement of national construction costs, as evidenced by the Construction Output Price Index (or such other index as Ofwat may specify for the purposes of Condition B, of the Instrument of Appointment or otherwise)) relative to the Retail Price Index from their base levels as used in the most recent Final Determination or IDOK and their relative movement as projected by Ofwat for the purposes of that determination, and, in respect of any period, including future periods, for which the relevant indices have not yet been published, by reference to forecast rates consistent with the average monthly movement in such indices over the previous 12 months for which published indices are available.

"**Participating Member State**" means a member state of the European Union that adopts or has adopted the Euro as its lawful currency under the legislation of the European Union for European 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 Sub-Tranches of the Bonds, the several institutions (including, where the context permits, the Principal Paying Agent) at their respective specified offices initially appointed as paying agents in relation to such Bonds by the Issuer and the 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 Sub-Tranches of the Bonds.

"**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 the Debenture Stock or any Authorised Credit Facility.

"**Payment Priorities**" means the order of priority of the Permitted Payments to be made by the Issuer on each Payment Date as set out in Chapter 7 "*Summary of the Financing Agreements*" under "*Cash Management*" as adjusted following the taking of any Enforcement Action and following termination of a Standstill (other than pursuant to a waiver or revocation by the Majority Creditors or a Secured Creditor (as applicable)) in accordance with paragraph 8.3 of Schedule 11 to the CTA.

"**Periodic Information**" means:

(a) SEW's annual charges scheme with details of tariffs;

(b) a summary of SEW's strategic business plan at each Periodic Review;

(c) SEW's current Procurement Plan (if any);

(d) SEW's annual drinking water quality report;

(e) SEW's annual environmental report;

(f) SEW's annual conservation and access report; and

(g) such other material periodic information compiled by SEW for Ofwat.

"**Periodic Review**" means the periodic review of K as provided for in Condition B of the Instrument of Appointment.

"**Periodic Review Effective Date**" means the date with effect from which the new K (as that term is defined in the Instrument of Appointment) 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-Tranche of Bearer Bonds a global bond in the form or substantially in the form set out in Schedule 2, Part B to the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealers, together with the copy of each applicable Final Terms annexed thereto, comprising some or all of the Bearer Bonds of the same Sub-Tranche, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the 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 SEW:

(a) an acquisition (including of 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 SEW are required for the efficient operation of its Business or in accordance with the 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 in furtherance of SEW's statutory and regulatory obligations;

(d) acquisitions pursuant to contracts in relation to bulk supplies of water entered into on or prior to the Initial Issue Date and/or all contracts entered into by SEW from time to time in relation to bulk supplies of water;

(e) acquisitions pursuant to contracts in relation to supplies of electricity and gas entered into on or prior to the Initial Issue Date and/or all contracts entered into by SEW from time to time in relation to supplies of electricity and gas;

(f) 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;

(g) any acquisition made, any acquisition or creation of any Subsidiary or Joint Venture entered into with the consent of the Security Trustee and each Financial Guarantor; and

(h) any acquisition of the car park situated on adjoining land at the head office of SEW at Haywards Heath.

"**Permitted Book Debt Disposal**" means the disposal of book debts in each financial year with a nominal value of up to £1,500,000 (indexed) (or a greater amount with the prior written consent of the Security Trustee and each Financial Guarantor) by SEW 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) SEW 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 SEW has expired; and

(d) the SEW Business Financial Model is updated to ensure that the transaction is taken into account in calculating all relevant financial ratios under the CTA.

"**Permitted Disposal**" means any disposal made by SEW 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 for the benefit of 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;

(d) would not result in the RAR, calculated for each Test Period by reference to the most recently occurring Calculation Date (adjusted on a pro-forma basis to take into account the proposed disposal), being more than or equal to 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 SEW, are not required for the efficient operation of its Business and which does not cause a Trigger Event under paragraph 1, Part 1 (Trigger Events) of Schedule 5 to the CTA;

(f) is made pursuant to the Outsourcing Policy;

(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;

(i) is a disposal or surrender of tax losses which is a Permitted Tax Loss Transaction or a Further Permitted Tax Loss Transaction;

(j) is the disposal of assets owned by SEW 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 SEW (or which would be received by SEW 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 12 month period does not exceed 2.5 per cent. of RCV (or its equivalent) and (ii) in the immediately preceding five-year period does not exceed 10 per cent. of RCV (or its equivalent); or

(l) is a disposal of assets to a partnership or a Joint Venture made on arm's lengths terms entered into for bona fide commercial purposes in furtherance of SEW's statutory and regulatory obligations and with the prior written consent of the Security Trustee and the Financial Guarantors,

provided that in each case such disposal does not cause any of the Trigger Event Ratio Levels to be breached.

"**Permitted Emergency Action**" means any remedial action taken by SEW during an Emergency which is in accordance with the policies, standards and procedures for emergency planning manual (EMPROC) of SEW and/or the Mid Kent Water Emergency Action Plan (as amended from time to time), Ofwat guidance and Public Procurement Rules and which SEW considers necessary and which continues only so long as required to remedy the Emergency but in any event no longer than 28 days or such longer period as is agreed by SEW, the Security Trustee and each Financial Guarantor.

"**Permitted Enhancement Capex Financial Indebtedness**" means Financial Indebtedness incurred by the Issuer or SEW for the purposes of making enhancement capital expenditure envisaged under the applicable determination for disbursement during AMP7 (as set out in the Final Determination), as adjusted to reflect any redetermination from the Competition and Markets Authority, interim determination, or other adjustment agreed to by Ofwat or any other relevant government body and subject to any applicable judicial challenge to SEW's envisaged enhancement capex expenditure during the period.

"**Permitted Financial Indebtedness**" means:

(a) Financial Indebtedness incurred under the Issuer/SEW Loan Agreements and the SEW/SEWH Loan Agreement;

(b) Financial Indebtedness incurred by one member of the SEW Financing Group to another member if the recipient of that Financial Indebtedness is an Obligor or the Cayman Issuer;

(c) Financial Indebtedness incurred under any Finance Document as at the Initial Issue Date;

(d) Financial Indebtedness incurred under a Treasury Transaction provided it is in compliance with the Hedging Policy;

(e) in respect of SEW only, any unsecured Financial Indebtedness provided that the aggregate amount of such Financial Indebtedness does not exceed £3,000,000 (indexed);

(f) the Financial Indebtedness incurred under the Debenture Stock provided that the aggregate nominal amount thereof does not exceed £10,200,000;

(g) in respect of SEW only any Subordinated Debt entered into on or after the Initial Issue Date;

(h) Financial Indebtedness incurred under the Intra-Group Loans;

(i) such further Financial Indebtedness incurred by the Issuer, Cayman Issuer or SEW that complies with the following conditions:

    (i) at the time of incurrence of that Financial Indebtedness, no Default is continuing or will arise as a result of the incurrence of such Financial Indebtedness;

    (ii) 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;

    (iii) as a result of the incurrence of the Financial Indebtedness:

        (A) SEW, the Issuer and the Cayman Issuer will not be in breach of paragraph 4 (DSR Liquidity Facility) of Part 2 of Schedule 4 (Financial Covenants) of the CTA; and

        (B) 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; and

        (C) the Hedging Policy shall continue to be complied with in all respects;

(iv) the Financial Indebtedness ranks (save for, if applicable, any Financial Guarantee) pari passu in all respects with all other Senior Debt;

(v) (taking into account the proposed incurrence of such debt) the RAR must be less than or equal to 0.90:1 and the Adjusted ICR and the Conformed Adjusted ICR must be greater than or equal to 1.10:1 for each Test Period calculated by reference to the then most recently occurring Calculation Date;

(vi) 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 an amount 15 per cent. of RCV or its equivalent; and

(vii) to the extent that such Financial Indebtedness is to amortise, each Financial Guarantor and the Security Trustee has granted its written consent to such Financial Indebtedness prior to its incurrence.

(j) the drawing in full or in part of any O&M Reserve Facility in accordance with their terms provided that such Financial Indebtedness referred to in this paragraph (j):

(i) is incurred at such time where no LF Event of Default is continuing or would arise as a result of the incurrence of such Financial Indebtedness;

(ii) the amount drawn does not exceed the excess of the O&M Reserve Required Amount over the amounts (including the value of any Authorised Investments) standing to the credit of the O&M Reserve Account;

(iii) the amount drawn is limited to amounts required in order to pay operating expenditure and Capital Maintenance Expenditure that cannot be met from existing balances in the Operating Accounts; and

(iv) is provided by persons who have acceded to the CTA and the STID; or

(k) the drawing in full or in part of any DSR Liquidity Facilities in accordance with their terms provided that such Financial Indebtedness referred to in this paragraph (k):

(i) is incurred at such time where no LF Event of Default is continuing or would arise as a result of the incurrence of such Financial Indebtedness;

(ii) the amount drawn does not exceed the excess of the Required Balance over the amounts (including the value of any Authorised Investments) standing to the credit of the First Loss Account;

(iii) is limited to amounts drawn under Clause 8.6.2(b) of Schedule 11 (Cash Management) to the CTA in order to pay Senior Debt; and

(iv) satisfies condition (ii) of limb (i) of the definition of Permitted Financial Indebtedness set out above.

(l) if a Relevant Trigger Event is continuing or will arise as a result of the incurrence of such Financial Indebtedness:

(i) where such Financial Indebtedness is incurred for working capital or maintenance capital expenditure purposes, the drawing, in full or in part (including any rollover of existing drawings), of any revolving credit facility, overdraft facility or working capital facility which is an Authorised Credit Facility, entered into by a member of the SEW Financing Group provided that the aggregate amount drawn hereunder in a Financial Year does not exceed £15,000,000 (indexed) in aggregate (and for these purposes, where any amount is drawn hereunder at such time where a Relevant Trigger Event is no longer continuing, such drawn amount shall be excluded from this limitation);

(ii) the incurrence of Financial Indebtedness which is for the purposes of enhancement capital expenditure ("Enhancement Capex Purpose") but only to the extent that (1) such Financial Indebtedness is Permitted Enhancement Capex Financial Indebtedness and (2) the RAR is less than or equal to 0.82:1 for each Test Period in respect of the most recently occurring Calculation Date (after taking into account such incurrence); or

(iii) the incurrence of further Financial Indebtedness by the SEW Financing Group for the purpose of refinancing any Authorised Credit Facilities or any existing Financial Indebtedness that are due to expire, mature, terminate and/or be redeemed within one year from the date of such incurrence ("Refinancing Purposes"), provided that the incurrence of new Financial Indebtedness for Refinancing Purposes shall not exceed an amount equal to the nominal amount outstanding in respect of the Financial Indebtedness to be refinanced plus all indexation accrued but unpaid on such Financial Indebtedness which is indexed together with any interest due and unpaid,

provided that:

1. such Financial Indebtedness referred to in this paragraph (l) is incurred at such time where no Drawstop Event is continuing or would arise as a result of the incurrence of such Financial Indebtedness; and

2. such Financial Indebtedness referred to in this paragraph (l) satisfies conditions (ii), (iii), (iv), (v) (but with respect to the RAR only), (vi) and (vii) of limb (i) of the definition of Permitted Financial Indebtedness set out above;

(m) Financial Indebtedness of SEW which is a Lease (which, for the avoidance of doubt, does not require the lessor under such contract to accede to the CTA or the STID) provided that SEW ensures that under any agreement evidencing such Lease:

(i) it shall monitor and maintain assets or properties in line with good industry practice; and

(ii) it will insure any material risks in relation to the assets or properties being provided in line with good industry practice;

For the purposes of this definition 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 Hedge Termination**" means the termination of a Hedging Agreement in accordance with the provisions of Schedule 7 (Hedging Policy and Overriding Provisions Relating to Hedging Agreements) of 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) 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 SEW or the Issuer (as applicable) 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 Hedge 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;

(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 SEW or the Issuer (as applicable) 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 Hedge 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 SEW or the Issuer (as applicable) is or will be entitled to voluntarily terminate (and require payment of a termination sum), or prepay the Rentals relating to the leasing of the relevant Equipment under such Finance Lease provided that (i) no Acceleration of Liabilities (other than Permitted Hedge 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 Non-Appointed Business**" means any business other than the Appointed Business provided that (a) such business (i) is prudent in the context of the overall business of SEW and continues to be prudent for the duration of that Permitted 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 Good Industry Practice; and (c) such business does not give rise to any material actual or contingent liabilities for SEW that are not properly provided for in its financial statements.

"**Permitted Non-Appointed Business Limits**" means that the average of the Non-Appointed Expenses during the current Test Period and, if applicable, the immediately two preceding Test Periods does not exceed 3 per cent. of Cash Expenses during such Test Periods.

"**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 payable on the Issue Date; or

(b) any other payments listed in writing by SEW as at the Initial Issue Date and signed by way of approval by the Security Trustee and the Initial Financial Guarantor; or

(c) repayment in full of certain group loans.

"**Permitted Security Interest**" means any security interest falling under paragraphs (a) to (i) (inclusive) below which is created by any Obligor or the Cayman Issuer, any security interest falling under paragraphs (j) to (m) (inclusive) below which is created by SEW or the Issuer and any security interest falling under paragraphs (n) to (s) (inclusive) below which is created by SEW:

(a) a Security Interest created under the Security Documents or contemplated by the Finance Documents;

(b) any Security Interest specified in Schedule 11 (Cash Management) to the CTA, if the principal amount thereby secured is not increased;

(c) a Security Interest comprising a netting or set-off arrangement entered into by a member of the SEW Financing Group in the ordinary course of its banking arrangements;

(d) 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;

(e) 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 SEW Financing Group in good faith and with a reasonable prospect of success;

(f) 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 SEW Financing Group by appropriate procedures and with a reasonable prospect of success;

(g) 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);

(h) 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 SEW Financing Group becoming aware that the amount owing in respect of such lien has become due;

(i) 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;

(j) 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;

(k) a Security Interest approved by the Security Trustee, the holder of which has become a party to the STID;

(l) 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:

    (i) such Security Interest was not created in contemplation of the acquisition of such asset;

    (ii) 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 SEW Financing Group; and

    (iii) unless such Security Interest falls within any of paragraphs (n) to (s) below (A) such Security Interest is removed or discharged within six months of the date of acquisition of such asset; or (B) the holder thereof becomes party to the STID;

(m) 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;

(n) a Security Interest arising under or contemplated by any 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;

(o) a right of set-off existing in the ordinary course of trading activities between SEW and its suppliers or customers (including, but not limited to, any bulk water supply contracts entered into on or prior to the Initial Issue Date, future bulk water supply contracts, gas or electricity supply contracts entered into on or prior to the Initial Issue Date or future gas or electricity supply contracts;

(p) a Security Interest arising on rental deposits in connection with the occupation of leasehold premises in the ordinary course of business;

(q) any retention of title arrangements entered into by SEW in the ordinary course of business; or

(r) 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 £1,500,000 (or its equivalent) (indexed); or

(s) any Security Interest arising in relation to the Debenture Stock (whether by statute, operation of law or otherwise),

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**" means the acceleration by the Secured Creditors (subject to the availability of funds) of their respective claims to the extent necessary to apply proceeds of enforcement of the Share Pledges provided by SEWH pursuant to the Security Agreement.

"**Permitted Subsidiaries**" means the Issuer and any other Subsidiary of SEW from time to time which is acquired by SEW pursuant to a Permitted Acquisition and is notified in writing to the Security Trustee on or as soon as practicable after the date of such acquisition.

"**Permitted Tax Loss Transaction**" means any surrender of tax losses or agreement relating to tax benefit or relief (including for the avoidance of doubt an election under sections 171A and 179A of the Taxation of Chargeable Gains Act 1992) or any other agreement relating to tax between:

(a) an Obligor, including the Cayman Issuer, and any other member of the SEW Financing Group; or

(b) an Obligor, including the Cayman Issuer, and any other member of the Group (not being a member of the SEW Financing Group) in the circumstances permitted by the Tax Deeds of Covenant.

"**Permitted Volume Trading Arrangements**" means contracts entered into by any member of the Group or any Associate thereof (which, in each case, is not a member of the SEW Financing Group) with suppliers for the supply of goods and services to the SEW Financing Group on terms that discounts are available as a result of such arrangements, provided that any Obligor, or the Cayman Issuer, making use of such arrangements will reimburse the relevant member of the Group or Associate for any Financial Indebtedness by way of amounts payable by such member of the Group or Associate to such supplier as a result of such Obligor, or the Cayman Issuer, 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 Relevant 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 Relevant Trigger Event.

"**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.

"**Principal Amount Outstanding**" means, in relation to a Bond, Sub-Tranche or Tranche, the original face value thereof less any repayment of principal made to the holder(s) thereof in respect of such Bond, Sub-Tranche or Tranche.

"**Principal Paying Agent**" means Deutsche Bank AG, London Branch under the Agency Agreement, or its Successors thereto.

"**Procurement Plan**" means the procurement plan (if any) prepared and amended from time to time by SEW in accordance with its obligations under the Instrument of Appointment after notifying the Security Trustee and each Financial Guarantor and consulting with the Security Trustee and each Financial Guarantor who, within 14 days thereafter, notifies SEW that it wishes to be consulted.

"**Programme**" means the £2,000,000,000 guaranteed bond programme established by the Issuer admitted to the Official List and to the London Stock Exchange.

"**Projected Operating Expenditure**" means at any time, the operating expenditure projected in the operating budget for the Test Period in which such date falls.

"**Prospectus**" means any offering circular prepared by or on behalf of, and approved by, the Issuer in connection with the establishment of the Programme and/or the issue of the Bonds or any information memorandum or offering circular prepared by or on behalf of and approved by the 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 sewerage 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 and of the European Union affecting the water sector and including any jurisprudence of the courts of the United Kingdom and of the European Union and decisions of the European Commission in respect of such rules.

"**Qualifying Senior Debt**" means the aggregate Outstanding Principal Amount of Senior Debt entitled to be voted by the Senior DIG Representatives.

"**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.

"**Rating Agencies**" means Moody's and S&P and any further or replacement rating agency appointed by the Issuer with the approval of the Security Trustee (acting upon the instructions of the Majority Creditors) and each Financial Guarantor to provide a credit rating or ratings for the Senior Debt and shadow ratings in respect of Wrapped 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 Bonds that, in respect of any matter where such confirmation is required, the shadow rating is, in the case of the Wrapped Debt, BBB by S&P and Baa2 by Moody's or above and in the case of the Unwrapped Debt, is BBB by S&P and Baa2 by Moody's or above.

"**RBS Existing Finance Lease**" means together the equipment lease dated as of 15 February 1994 between Lloyds Portfolio Leasing Limited, NWS 9 Limited (now known as Capital Bank Leasing 9 Limited), Wood Street Leasing Limited and R.B. Leasing (September) Limited, together, the partnership of Anglo Scottish Utilities Partnership 1 as lessor (part of the interest in the receivables under such lease having been sold to The Royal Bank of Scotland plc on 27 July 2004) and Mid Southern Water Plc as original lessee under which the current lessee is SEW following the Transfer Scheme of 1 January 1999 and a receivables sale agreement dated the Initial Issue Date between the partners of Anglo Scottish Utilities Partnership 1, The Royal Bank of Scotland plc and SEW.

"**RCV**" or "**Regulatory Capital Value**" means, in relation to any date, the regulatory capital value for such date as last determined (excluding any draft determination of the regulatory capital value by Ofwat) and notified to SEW by Ofwat of the most recent Periodic Review or IDOK or other procedure through which in future Ofwat make such determination on an equally definitive basis to that of a Periodic Review or IDOK (interpolated as necessary and adjusted as appropriate for Out-turn Inflation), provided that "**RCV**" for the purposes of calculating the RAR for any Test Period for which there is no Final Determination shall be SEW's good faith, honestly held present estimate of its regulatory capital value on the last day of such Test Period.

"**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 SEW 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 and includes any replacements for Receipts and Talons issued pursuant to Condition 14 (Replacement of Bonds, Coupons, Receipts and Talons).

"**Receiptholders**" means the several persons who are for the time being holders of the Receipts.

"**Region**" means the Eastern Region and the Western Region.

"**Register**" means a register of the Bondholders of a Sub-Tranche of Registered Bonds.

"**Registered Bonds**" means those of the Bonds which are for the time being in registered form.

"**Registrar**" means Deutsche Bank Luxembourg S.A as a 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 undertaker under section 6 of the WIA.

"**Regulation S**" has the meaning given to such term under the Securities Act.

"**Relevant Date**" has the meaning set out in Condition 6(j) (Definitions).

"**Relevant Trigger Event**" means:

(a) a Trigger Event under paragraph 1(b) of Part 1 (Trigger Events) to Schedule 5 (Trigger Events) to the CTA;

(b) a Trigger Event under paragraph 1(c) of Part 1 (Trigger Events) to Schedule 5 (Trigger Events) to the CTA;

(c) a Trigger Event under paragraph 1(d) of Part 1 (Trigger Events) to Schedule 5 (Trigger Events) to the CTA; or

(d) a Trigger Event under paragraph 1(e) of Part 1 (Trigger Events) to Schedule 5 (Trigger Events) to the CTA.

"**Remedial Plan**" means any remedial plan agreed by SEW and the Security Trustee under Part 2 of Schedule 5 (Trigger Events) of the CTA.

"**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.

"**Required Balance**" means, on any Payment Date, the following 12 months' forecast Senior Debt Interest.

"**Reserved Matters**" means matters which, subject to the Intercreditor Arrangements, a Secured Creditor is free to exercise in accordance with its own facility arrangements and not by the direction of the Majority Creditors as more particularly described in the STID.

"**Resignation and Substitution Deed**" means the resignation and substitution deed dated the Effective Date and entered into between, among others, Capita IRG Trustees Limited and the Security Trustee.

"**Restricted Payment**" means any Distribution, Deferral of K, or payment under the Subordinated Debt other than:

(a) to the extent required to make any payment under an Authorised Credit Facility in accordance with the provisions of the CTA and the STID, a payment by SEW under any Issuer/SEW Loan Agreement;

(b) a payment made under a Permitted Tax Loss Transaction;

(c) any Permitted Post-Closing Event; or

(d) an Intra-Group Debt Service Distribution.

"**Restricted Payment Condition**" means each of the conditions which must be satisfied or waived by the Security Trustee before a Restricted Payment may be made by the Issuer or SEW.

"**Revolving Credit Facility**" means the £150 million revolving credit facility to fund capital expenditure.

"**Revolving Credit Facility Providers**" means Canadian Imperial Bank of Commerce, London Branch and National Westminster Bank plc or any successor thereto.

"**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.

"**RMS**" means the River Medway Scheme.

"**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 the DGWS'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 Agreements**" means a Hedging Agreement with a Hedge Counterparty under which payments to be made by the Issuer are indexed by reference to RPI.

"**Secretary of State**" means one of His Majesty's principal secretaries of state;

"**Section 19 Undertaking**" means an undertaking given by a Regulated Company to secure or facilitate compliance with a licence condition or relevant statutory or other requirement and which is capable of direct enforcement under the WIA;

"**Secured Creditor**" means the Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Bondholders), the Bondholders, each Financial Guarantor, each Finance Lessor, the Issuer, the Account Bank, any Hedge Counterparty, the Liquidity Facility Agents, the Liquidity Facility Arrangers, each Liquidity Facility Provider, each Authorised Credit Provider, the Standstill Cash Manager, each Agent and any Additional Secured Creditors.

"**Secured Creditor Representative**" means:

(a) in respect of the Bondholders, the Bond Trustee;

(b) in respect of the Issuer/SEW Loan Agreements, the Security Trustee (on behalf of the Issuer);

(c) in respect of the RBS Existing Finance Lease, R.B. Leasing (September) Limited;

(d) in respect of any Liquidity Facility Provider, the facility agent under the relevant Liquidity Facility Agreement; and

(e) in respect of any Additional Secured Creditor, the representative of such Additional Secured Creditor (if any) appointed as its Secured Creditor Representative under the terms of the relevant Finance Document and named as such in the relevant Accession Memorandum.

"**Secured Liabilities**" means all liabilities incurred by any Obligor, and the Cayman Issuer, to a Secured Creditor pursuant to the Finance Documents.

"**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 SEW, SEWH and the Cayman Issuer on or about the Initial Issue Date, and to which the Issuer acceded to on the Accession Date.

"**Security Assets**" means all property, assets, rights and undertakings the subject of the Security created by the Obligors and the Cayman Issuer pursuant to any Security Document, together with the Rights.

"**Security Documents**" means:

(a) the Security Agreement;

(b) the STID and any deed of accession thereto and any deed supplemental to the STID and referred to in the STID as a "Subsequent Deed"; 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.

"**Senior Debt**" means any financial accommodation that is, for the purposes of the STID, to be treated as Senior Debt (and excluding all Subordinated Debt) and includes all debt outstanding under:

(a) the Wrapped Bonds and the Unwrapped Bonds (if any) issued by the Issuer on or after the Issue Date;

(b) the Wrapped Bonds and the Unwrapped Bonds (if any) issued by the Cayman Issuer on or after the Initial Issue Date;

(c) each Authorised Credit Facility;

(d) all Interest Rate Hedging Agreements, RPI Linked Hedging Agreements and the Currency Hedging Agreements in relation to Senior Debt;

(e) all Finance Leases;

(f) each Financial Guarantee Fee Letter; and

(g) each G&R Deed in respect of Wrapped Debt.

"**Senior Debt Instructing Group**" or "**Senior DIG**" means a group of representatives (each a "**Senior DIG Representative**") of Qualifying Senior Debt, comprising of:

(a) in respect of each Sub-Tranche of Wrapped Bonds or other Wrapped Debt (if no FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Bonds), the Financial Guarantor of such Sub-Tranche of Wrapped Bonds or other Wrapped Debt;

(b) in respect of each Sub-Tranche of Wrapped Bonds (after an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Bonds) and each Sub-Tranche of Unwrapped Bonds, the Bond Trustee;

(c) in respect of each Finance Lease, the relevant Finance Lessor;

(d) in respect of the aggregate of any unpaid amounts owing to a Financial Guarantor under each G&R Deed to reimburse it for any amount paid by it under a Financial Guarantee in respect of unpaid principal on such Wrapped Debt, the relevant Financial Guarantor; and

(e) in respect of any other Secured Liabilities of the type referred to in paragraphs (a) to (d) above (excluding liabilities under all Interest Rate Hedging Agreements and under Currency Hedging Agreements in respect of the Senior Debt and under the Liquidity Facilities) or (with the approval of the Majority Creditors) other types of Secured Liabilities that rank *pari passu* with all other Senior Debt, the relevant representative appointed under the terms of the relevant Finance Document and named in the relevant Accession Memorandum or the STID as the Senior DIG Representative,

each of which provides an appropriate indemnity to the Security Trustee each time it votes irrespective of whether it is a Majority Creditor.

"**Senior Debt Interest**" means, in relation to any Test Period, and without double counting, an amount equal to the aggregate of:

(a) all interest (or amounts in the nature of interest) paid, due but unpaid or, in respect of forward-looking ratios, payable, on the Issuer's and/or SEW's obligations under or in connection with all Senior Debt, the Debenture Stock and any Financial Indebtedness which is unsecured (other than any Intra-Group Loans);

(b) all fees paid, due but unpaid or, in respect of forward-looking ratios, payable, to any Financial Guarantor of Wrapped Debt; and

(c) Adjusted Lease Reserve Amounts or Lease Reserve Amounts paid, due but unpaid or, in respect of forward-looking ratios, payable, on the Issuer's and/or SEW's obligations under and in connection with all Senior Debt,

in each case during such Test Period (excluding all indexation of principal, amortisation of the costs of issue of any Senior Debt within such Test Period and all other costs incurred in connection with the raising of such Senior Debt) less all interest received or in respect of forward-looking ratios, receivable by any member of the SEW Financing Group from a third party during such period.

"**Senior Debt Provider**" means a provider of, or Financial Guarantor of, Senior Debt.

"**Senior Net Indebtedness**" means, as at any date, the aggregate of (a) the Issuer's and SEW's nominal debt outstanding (or, in respect of a future date, forecast to be outstanding) under and in connection with any Senior Debt and/or the Debenture Stock on such date (including for this purpose, all reimbursement sums owing to each Financial Guarantor under any G&R Deed in respect of payments on any Senior Debt and all sums owing under any Guarantee Fee Letter) (b) all accretions to the original notional amount under each RPI Linked Hedging Agreement through indexation (or, in respect of a future date, forecast to be outstanding), and (c) the nominal amount of any unsecured Permitted Financial Indebtedness which is outstanding (or, in respect of a future date, forecast to be outstanding) on such date including, in the case of (a) and (c) all indexation accrued on any such liabilities which are indexed together with, in the case of (a), (b) and (c), any interest due but unpaid up to and including such date (after taking account of the effect of any relevant Interest Rate Hedging Agreements then in force) and less the value of all Authorised Investments and other amounts standing to the credit of any Account (other than an amount equal to the Excluded Insurance Proceeds Amount and 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); where such debt is denominated other than in pounds sterling, the nominal amount outstanding will be calculated (i) in respect of debt with associated Currency Hedging Agreements, by reference to the applicable hedge rates specified in the relevant Currency Hedging Agreements; (ii) in respect of debt with no associated Currency Hedging Agreements, by reference to the Exchange Rate on such date).

"**Series**" means a series of Bonds issued under the Programme on a particular Issue Date, together with any Sub-Tranche or Sub-Tranches of Bonds which are expressed to be consolidated and form a single Sub-Tranche with any previously issued Sub-Tranche.

“**SEW**” means South East Water Limited, a company incorporated in England and Wales under company number 02679874.

“**SEW Annual Finance Charge**” means the Annual Finance Charge less the Issuer Annual Finance Charge.

“**SEW Business Financial Model**” means the latest business financial model prepared by SEW and delivered to the Security Trustee from time to time, in accordance with the CTA.

“**SEW Change of Control**” means SEWH ceasing to hold legally and beneficially all rights in 100 per cent. of the issued ordinary share capital of, or otherwise ceasing to control, SEW or SEW ceasing to hold legally and beneficially all rights in 100 per cent. of the issued share capital of, or otherwise ceasing to control the Issuer.

“**SEW Derivative Policy**” means the hedging policy applicable to SEW as set out in Schedule 7A (*SEW Derivative Policy and Overriding Provisions Relating to SEW Derivative Transactions*) of the CTA as such hedging policy may be amended from time to time by agreement between the Security Trustee and SEW.

“**SEW Derivative Transaction**” means any Treasury Transaction entered or to be entered into by SEW to manage fluctuations in UK electricity prices and/or UK natural gas prices for non-speculative purposes only in line with market developments, regulatory developments and Good Industry Practice.

“**SEW Financing Group**” means SEWH, SEW, the Issuer and any other Permitted Subsidiaries.

“**SEW Group**” means SEW and its consolidated subsidiaries.

“**SEWH**” means South East Water (Holdings) Limited.

“**SEWH Change of Control**” means (a) any person which previously had Control of SEWH ceasing to have control of SEWH, or (b) any person which did not previously have Control of SEWH acquiring Control of SEWH, in each case of which the Obligor has actual knowledge provided that any change of Control of any person controlling HWUK shall not constitute a SEWH Change of Control.

“**SEW Limited Group**” means SEW, the Issuer and any other Permitted Subsidiaries.

“**SEW Monthly Payment Amount**” has the meaning set out in paragraph 5.9 of Schedule 11 (Cash Management) to the CTA, approximately (and subject to adjustment) equal to $^{1}/_{12}$th of the SEW Annual Finance Charge for the relevant 12 month period.

“**SEWPS**” means the South East Water Pension Scheme.

“**SEW/SEWH Loan**” means the principal amount outstanding under the SEW/SEWH Loan Agreement from time to time.

“**SEW/SEWH Loan Agreement**” means the loan agreement entered into between the Security Trustee, SEW and SEWH on the Initial Issue Date evidencing the SEW/SEWH Loan.

“**SEW Tax Deed of Covenant**” means the deed of covenant entered into on or about the date of the CTA by, among others, the Security Trustee, HWUK, SEWH, HLux, the other Obligors and the Cayman Issuer.

“**SEW VAT Group**” means the VAT group registration comprising SEW, Dynamco Limited, OISL, Southern Utilities (Holdings) Limited, HWUK, Eastbourne Water plc, Mid Sussex Water Ltd, West Kent Water plc and Mid Southern Water plc, of which SEW is or was the representative member.

“**Share Pledges**” means the pledges dated on or about the Initial Issue Date, in favour of the Security Trustee, over the shares in SEW and the Issuer respectively and “**Share Pledge**” means any one of them.

“**Shipwreck Clause**” means a clause which may be contained in the licence of a Regulated Company and which is contained in the Licence of SEW at Part IV of Condition B, pursuant to which the Regulated Company may, if so permitted by the conditions of its licence, 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**" means to the extent that (after payment of all relevant operating expenditure) there is a shortfall of forecast revenues, the relevant sub-paragraph of the Payment Priorities in relation to which the revenue that is forecast to be available is insufficient to meet all of the payments in such sub-paragraph.

"**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.

"**Standard & Poor's**" or "**S&P**" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies Inc. or any successor to the rating business of Standard & Poor's Rating Services.

"**Standby Drawing**" means a drawing made under a Liquidity Facility Agreement as a result of a downgrade of a Liquidity Facility Provider below the Minimum Short-term 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 Clause 13.1 (Commencement of Standstill) of the STID, a standstill of claims of the Secured Creditors against SEW and the Issuer immediately upon notification to the Security Trustee of the occurrence of an Event of Default.

"**Standstill Cash Manager**" means HSBC Bank plc in its capacity as Standstill Cash Manager under the CTA, or any successor Standstill Cash Manager.

"**Standstill Event**" means an event giving rise to a Standstill in accordance with the STID.

"**Standstill Extension**" means any of the periods for which a Standstill Period is extended under Clause 13.5 (Extension of Standstill) of the STID.

"**Standstill Period**" means a period during which a standstill arrangement is subsisting, commencing on the date as determined by Clause 13.1 (Commencement of Standstill) of the STID and ending on the date as determined by Clause 13.4 (Termination of Standstill) of the STID.

"**STID**" means the security trust and intercreditor deed entered into on the Initial Issue Date between, among others, the Security Trustee, the Obligors, the Cayman Issuer, the Initial Financial Guarantor and the Bond Trustee, together with any deed supplemental to the STID and referred to in the STID as a "Supplemental Deed".

"**STID Directions Request**" means a written notice of each STID Proposal sent by the Security Trustee to the Secured Creditors or their Senior DIG Representatives and requesting directions from the relevant Secured Creditors in accordance with the STID.

"**STID Proposal**" means a proposal or request made by any Secured Creditor or its Secured Creditor Representative or any Obligor, or the Cayman Issuer, in accordance with the STID proposing or requesting the Security Trustee: to execute a supplemental deed to the STID; to change, modify or waive any term or condition of any Finance Document; to substitute the Issuer; or to take any Enforcement Action or any other action in respect of the transactions contemplated by the Finance Documents; as defined more particularly in the STID.

"**Subordinated Authorised Loan Amounts**" means, in relation to any Authorised Credit Facility (excluding any Hedging Agreements), the aggregate of any amounts payable by the Issuer or SEW 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 Coupon Amounts**" means, in the case of Fixed Rate Bonds or Indexed Bonds, any amounts (other than deferred interest) by which the Coupon on such Bonds exceeds the initial Coupon as at the date on which such Bonds were issued and, in the case of Floating Rate Bonds, any amounts (other than deferred interest) by which the margin on the Coupon on such Bonds exceeds the initial margin on the Coupon on such Bonds as at the date on which such Bonds were issued.

"**Subordinated Debt**" means any Financial Indebtedness (other than Financial Indebtedness falling within paragraph (e) of the definition of Permitted Financial Indebtedness) that is fully subordinated to, and is to commence amortisation after, in a manner satisfactory to the Security Trustee and each Financial Guarantor, the Senior Debt and where the relevant credit provider 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 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 as a result of such Liquidity Facility Provider ceasing to be a Liquidity Facility Provider 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 commitment fees) on the part of such Liquidity Facility Provider, or any other amounts not referred to in any other paragraph of the Payment Priorities.

"**Subscription Agreement**" means an agreement supplemental to the Dealership Agreement (by whatever name called) substantially in the form set out in Schedule 6 to the Dealership Agreement or in such other form as may be agreed between, among others, the Issuer and the Lead Manager or one or more Dealers (as the case may be).

"**Subsidiary**" means (a) a subsidiary within the meaning of section 736 of the Companies Act 1985; and (b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 258 of the Companies Act 1985.

"**Sub-Tranche**" is a division of a Tranche.

"**Successor**" means, in relation to the Principal Paying Agent, the other Paying Agents, the Registrar, the Transfer Agent, the Agent Bank and the Calculation Agent, any successor to any one or more of them in relation to the Bonds which shall become such pursuant to the provisions of the Bond Trust Deed and/or the Agency Agreement (as the case may be) and/or such other or further principal paying agent, paying agents, registrar, transfer agents, agent bank and calculation agent (as the case may be) in relation to the Bonds as may (with the prior approval of, and on terms previously approved by, the Bond Trustee in writing) from time to time be appointed as such, and/or, if applicable, such other or further specified offices (in the case of the Principal Paying Agent being within the same city as the office(s) for which it is substituted) as may from time to time be nominated, in each case by the Issuer and the Obligors, and (except in the case of the initial appointments and specified offices made under and specified in the Conditions and/or the Agency Agreement, as the case may be) notice of whose appointment or, as the case may be, nomination has been given to the Bondholders.

"**SWALEC**" means South Wales Electricity.

"**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 appertaining to, the Definitive Bonds 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(j) (Definitions) as set out in Chapter 8 "*The Bonds*".

"**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 Deeds of Covenant**" means the SEW Tax Deed of Covenant and the Hastings Tax Deed of Covenant, as supplemented by the Further Tax Deed of Covenant.

"**Temporary Global Bond**" means in relation to any Sub-Tranche of Bearer Bonds a temporary global bond in the form or substantially in the form set out in Schedule 2, Part A 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 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 Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed.

"**Term Facility**" means the £30 million term facility provided by the Term Facility Provider to SEW.

"**Term Facility Provider**" means Crédit Agricole Corporate and Investment Bank.

"**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.

"**Tranche**" means each tranche of Bonds, the available Tranches of Bonds being Wrapped Bonds and Unwrapped Bonds.

"**Transaction Documents**" means a Finance Document and any other document designated as such by the Security Trustee and the Issuer.

"**Transfer Agent**" means Deutsche Bank AG, London Branch under the Agency Agreement, including any Successor thereto.

"**Transfer Scheme**" means a transfer scheme under Schedule 2 of 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 or any derivative transaction protecting against or benefiting from fluctuations in any rate, index or price.

"**Trigger Event**" means any of the events or circumstances identified as such in Chapter 7 "Summary of Financing Agreements" under "Trigger Events".

"**Trigger Event Ratio Levels**" means the financial ratios set out in Chapter 7 "Summary of Financing Agreements" under "Trigger Events".

"**UK**" means the United Kingdom.

"**Unwrapped Bondholders**" means the holders for the time being of the Unwrapped Bonds and "**Unwrapped Bondholder**" shall be construed accordingly.

"**Unwrapped Bonds**" means the Bonds that do not have the benefit of a guarantee from a Financial Guarantor.

"**Unwrapped Debt**" or "**Unwrapped Bond**" means any indebtedness or bond (respectively) that does not have the benefit of a guarantee from a Financial Guarantor.

"**US Tax Acknowledgement Deed**" means the acknowledgement deed dated on or about the Initial Issue Date between Macquarie Infrastructure Assets LLC, HWUK and SEWH.

"**VAT**" (a) in respect of any Finance Lease Document, has the meaning given thereto in such Finance Lease Document; and (b) otherwise, means value added tax as imposed by the Value Added Tax Act 1994 and legislation supplemental thereof and other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of, or in addition to, VAT) or elsewhere.

"**Voted Qualifying Senior Debt**" means the aggregate Outstanding Principal Amount of Senior Debt voted by the Senior DIG Representatives in accordance with the applicable provisions of the STID as part of the Senior DIG.

"**WASCs**" means water companies.

"**Water Act**" means the United Kingdom Water Act 2003 (as amended by subsequent legislation).

"**Water Regulations**" means the Water Supply (Water Quality) Regulations 2010.

"**Water White Paper**" means the white paper "Water for Life", published by the Government on 8 December 2011.

"**Western Region**" means the counties of Berkshire, Hampshire and Surrey.

"**West Kent**" means West Kent Water Plc.

"**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 2003.

"**WOCs**" means water only companies.

"**Wrapped Bondholders**" means the holders for the time being of the Wrapped Bonds and "**Wrapped Bondholder**" shall be construed accordingly.

"**Wrapped Bonds**" means the Bonds that have the benefit of a guarantee from a Financial Guarantor.

“**Wrapped Debt**” or “**Wrapped Bond**” means any indebtedness or bond (respectively) that has the benefit of a guarantee from a Financial Guarantor.

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