

## Prospectus



### **SEVERN TRENT UTILITIES FINANCE PLC**

*(incorporated with limited liability in England and Wales with registered number 2914860)*

**as an Issuer**

### **SEVERN TRENT PLC**

*(incorporated with limited liability in England and Wales with registered number 2366619)*

**as an Issuer**

### **SEVERN TRENT WATER LIMITED**

*(incorporated with limited liability in England and Wales with registered number 2366686)*

**as the Guarantor of Notes issued by Severn Trent Utilities Finance Plc**

**€8,000,000,000**

### **Euro Medium Term Note Programme**

Under this €8,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), Severn Trent Plc ("**Severn Trent**") and Severn Trent Utilities Finance Plc ("**STUF**" and together with Severn Trent, the "**Issuers**" and each an "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined herein).

The payments of all amounts payable in respect of Notes issued by STUF will be unconditionally and irrevocably guaranteed by Severn Trent Water Limited ("**STWL**" or the "**Guarantor**").

This Prospectus has been approved as a base prospectus by the Financial Conduct Authority (the "**FCA**"), as competent authority under Regulation (EU) 2017/1129 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") (the "**UK Prospectus Regulation**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of any of the Issuers or the Guarantor or of the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Notes issued under the Programme during 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 Notes to be admitted to trading on the London Stock Exchange's main market. Except where the context otherwise requires, references in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's main market and have been admitted to the Official List. The London Stock Exchange's main market is a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) 600/2014 on markets in financial instruments as it forms part of United Kingdom domestic law by virtue of the EUWA ("**UK MiFIR**"). Admission to the Official List together with admission to trading on the London Stock Exchange's main market constitute official listing on the London Stock Exchange.

This Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the United Kingdom. The obligation to supplement this Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Prospectus is no longer valid.

The requirement to publish a prospectus under the Financial Services and Markets Act 2000 ("**FSMA**") only applies to Notes which are to be admitted to trading on a UK regulated market as defined in UK MiFIR, and/or offered to the public in the United Kingdom other than in circumstances where an exemption is available under section 86 of the FSMA.

**Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.**

The Programme has been rated: Baa2 (in respect of Notes issued by Severn Trent) and Baa1 (in respect of Notes issued by STUF) by Moody's Investors Service Limited, BBB- (in respect of Notes issued by Severn Trent) and BBB+ (in respect of Notes issued by STUF) by S&P Global Ratings UK Limited and BBB+ (in respect of Notes issued by Severn Trent) and A- (in respect of Notes issued by STUF) by Fitch Ratings Ltd. Each of Moody's Investors Service Limited, S&P Global Ratings UK Limited and Fitch Ratings Ltd is established in the United Kingdom and is registered under Regulation (EC) No 1060/2009 as it forms part of United Kingdom domestic law by virtue of the EUWA (the "**UK CRA Regulation**") and, as such, are included in the list of credit rating agencies published by the FCA on its website, in accordance with the UK CRA Regulation. The ratings issued by Moody's Investors Service Limited have been endorsed by Moody's Deutschland GmbH, the ratings issued by S&P Global Ratings UK Limited have been endorsed by S&P Global Ratings Europe Limited and the ratings issued by Fitch Ratings Ltd have been endorsed by Fitch Ratings Ireland Limited, in each case in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**"). Each of Moody's Deutschland GmbH, S&P Global Ratings Europe Limited and Fitch Ratings Ireland Limited is established in the European Union and registered under the CRA Regulation and included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>). Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be specified in the applicable Final Terms, and will not necessarily be the same as the rating assigned to the relevant Issuer or, if applicable, the Guarantor. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Notes issued under the Programme will have a minimum denomination of €100,000 (or its equivalent in any other currency as at the date of the issue of the relevant Notes).

*Arranger*

**NatWest Markets**

*Dealers*

**Barclays  
Citigroup**

**BNP PARIBAS  
NatWest Markets**

The date of this Prospectus is 26 July 2023

*This Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 8 of the UK Prospectus Regulation.*

*The Issuers and the Guarantor (the "**Responsible Persons**") accept responsibility for the information contained in this Prospectus and, in respect of a Tranche of Notes, for the information contained in the applicable Final Terms for such Tranche. To the best of the knowledge of the Issuers and the Guarantor the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.*

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

*The Notes may be issued on a continuing basis to one or more of Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited and NatWest Markets Plc and any additional dealer appointed under the Programme from time to time by an 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 Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.*

*Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of the Notes") of Notes will be set out in the applicable final terms (the "**Final Terms**") which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the FCA and the London Stock Exchange.*

*The only persons authorised to use this Prospectus in connection with an offer of Notes are the Issuers, the Guarantor and the persons named in the applicable Final Terms as the relevant Dealers or Managers.*

*Copies of Final Terms will be available from the registered office of the Issuers and the specified office of each of the Paying Agents (as defined below), see "Terms and Conditions of the Notes".*

*This Prospectus is to be read in conjunction with all documents which are incorporated by reference herein (see "Documents Incorporated by Reference"). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.*

*This Prospectus supersedes any prospectus or offering circular with respect to the Programme issued prior to the date hereof. Any Notes issued under the Programme on or after the date of this Prospectus are issued subject to the provisions described herein, but this Prospectus does not affect the terms of any Notes issued prior to the date hereof.*

*None of the Dealers, Paying Agents or the Trustee, nor any of their respective affiliates, have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers, Paying Agents or the Trustee, or any of their respective affiliates, as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuers or the Guarantor in connection with the Programme. None of the Dealers, Paying Agents or the Trustee, nor any of their respective affiliates, accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuers or the Guarantor in connection with the Programme.*

*No person is or has been authorised by the Issuers, the Guarantor, the Trustee or any of the Dealers, or any of their respective affiliates, 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 Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor, the Trustee, any of the Dealers or any of their respective affiliates.*

*Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuers, the Guarantor, the Trustee, Paying Agents, any of the Dealers or any of their respective affiliates, that any recipient of this Prospectus or any other information*

supplied in connection with the Programme or any Notes should subscribe for or purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and, if applicable, the Guarantor. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuers, the Guarantor, the Trustee, Paying Agents, any of the Dealers or any of their respective affiliates, to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers and the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same. The Dealers, the Paying Agents and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Notes**") which, in either case, will (i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, 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**"); and (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg.

The Notes and the Guarantee (as defined herein) have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") and are subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account of, US persons (see "**Subscription and Sale**").

**MiFID II product governance / target market** – The Final Terms in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU, as amended ("**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

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

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of

such Notes, 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.

**IMPORTANT – PRIIPS REGULATION / EEA RETAIL INVESTORS** – the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT – UK PRIIPS REGULATION / UK RETAIL INVESTORS** – the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor, the Trustee, the Paying Agents and the Dealers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless expressly provided in the applicable Final Terms, no action has been taken by the Issuers, the Guarantor, the Trustee, the Paying Agents, the Dealers or any of their respective affiliates which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area and the United Kingdom (and a prohibition of sales to EEA retail investors and UK retail investors), Singapore and Japan – see "Subscription and Sale".

Neither the Arranger nor any of the Dealers, nor any of their respective affiliates, makes any representation as to the suitability of any Sustainable Notes (as defined herein), including the listing or admission to trading thereof on any dedicated 'green', 'environmental', 'sustainable', 'social' or other equivalently-labelled segment of any stock exchange or securities market, to fulfil any green, social, environmental or sustainability criteria required by any prospective investors. Neither the Arranger nor any of the Dealers, nor any of their respective affiliates, have undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Sustainable Investments (as defined herein), any verification of whether the Eligible Sustainable Investments meet such criteria

or the monitoring of the use of proceeds of any Sustainable Notes (or amounts equal thereto). Investors should refer to the Group's Sustainable Finance Framework (as defined herein) as the same may be amended from time to time, the Second Party Opinion (as defined herein) delivered in respect thereof, as amended or superseded from time to time, and any public reporting by or on behalf of the Issuers in respect of the application of the proceeds of any issue of Sustainable Notes for further information. The Sustainable Finance Framework and Second Party Opinion, and any such public reporting, will not be incorporated by reference in this Prospectus and neither the Arranger nor any of the Dealers, nor any of their respective affiliates, makes any representation as to the suitability or contents thereof.

**The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement; (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio; (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency; (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

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

All references in this Prospectus to "**US dollars**" are to United States dollars, all references to "**Sterling**" and "**£**" are to pounds sterling and all references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union ("**EU**"), as amended.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

### **UK Benchmarks Regulation**

Interest and/or other amounts payable under Floating Rate Notes (as described in "Overview of the Programme") may be calculated by reference to certain rates or indices such as the Euro Interbank Offered Rate ("**EURIBOR**"), the Sterling Overnight Index Average ("**SONIA**") and the Secured Overnight Financing Rate ("**SOFR**") (together, "**Benchmarks**"). Any such Benchmark may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**"). If any such Benchmark does constitute a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation. Transitional provisions in the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Final Terms. The registration status of any administrator under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the relevant Issuer does not intend to update the applicable Final Terms to reflect any change in the registration status of the administrator.

*As at the date of this Prospectus, European Money Markets Institute (as administrator of EURIBOR) appears, and The Federal Reserve Bank of New York (as administrator of SOFR) and The Bank of England (as administrator of SONIA) do not appear, on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of the UK Benchmarks Regulation. As far as the Issuers and the Guarantor are aware, The Federal Reserve Bank of New York and The Bank of England do not fall within the scope of the UK Benchmarks Regulation by virtue of Article 2 of that regulation.*

**Singapore: Section 309B(1)(C) Notification**

*In connection with Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuers have, unless otherwise specified before an offer of Notes, determined the classification of all Notes to be issued under the Programme as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

## STABILISATION

***In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.***



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## DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or parts thereof) are incorporated by reference in, and form part of, this Prospectus:

- the audited consolidated annual financial statements of Severn Trent for the two financial years ended 31 March 2023 (pages 168 to 235 (inclusive) of the Annual Report and Accounts 2023) and 31 March 2022 (pages 154 to 234 (inclusive) of the Annual Report and Accounts 2022) respectively (including the notes thereto and the auditors' reports prepared in connection therewith);
- the audited non-consolidated annual financial statements of STUF for the two financial years ended 31 March 2023 (pages 6 to 21 (inclusive) of the Report and financial statements for the year ended 31 March 2023) and 31 March 2022 (pages 6 to 21 (inclusive) of the Report and financial statements for the year ended 31 March 2022) (including the notes thereto and the auditors' reports prepared in connection therewith);
- the audited consolidated annual financial statements of STWL for the two financial years ended 31 March 2023 (pages 137 to 208 (inclusive) of the Report and financial statements for the year ended 31 March 2023) and 31 March 2022 (pages 135 to 210 (inclusive) of the Report and financial statements for the year ended 31 March 2022) respectively (including the notes thereto and the auditors' reports prepared in connection therewith);
- the terms and conditions contained in the previous: (i) base prospectuses dated 27 July 2022 (pages 36 to 100 (inclusive)), 26 July 2021 (pages 31 to 65 (inclusive)), 25 August 2020 (pages 30 to 64 (inclusive)), 20 June 2019 (pages 30 to 65 (inclusive)), 20 June 2018 (pages 29 to 64 (inclusive)), 21 June 2017 (pages 28 to 63 (inclusive)), 23 June 2016 (pages 26 to 60 (inclusive)), 19 June 2012 (pages 59 to 89 (inclusive)), 1 July 2011 (pages 34 to 59 (inclusive)), 31 July 2008 (pages 31 to 56 (inclusive)), 3 August 2007 (pages 28 to 51 (inclusive)), 4 August 2006 (pages 27 to 49 (inclusive)); and (ii) offering circular dated 18 December 2000 (pages 20 to 42 (inclusive)); and
- Severn Trent Plc Trading Statement published on 19 July 2023,

each of which has previously been published or is published simultaneously with this Prospectus and has been filed with the FCA, save that any statement contained in a document which is 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 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.

The "Documents Incorporated by Reference" will be available (free of charge) on Severn Trent's website at <https://www.severntrent.com/investors/debt-investors/>.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Any information contained in any website referred to in any of the documents incorporated by reference does not form part of this Prospectus.

Any part of a document referred to herein that is not incorporated by reference is either not relevant for an investor or is otherwise covered elsewhere in this Prospectus.

This Prospectus contains references to certain websites. No such website, nor any information contained on any such website, is incorporated in this Prospectus, and such websites and information do not form part of this Prospectus.

### Supplemental Prospectuses

Following the publication of this Prospectus a supplement may be prepared by the Issuers and the Guarantor and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is

incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Unless this Prospectus is no longer valid, the Issuers and the Guarantor will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Prospectus, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue and offer of Notes in compliance with Article 23 of the UK Prospectus Regulation. The Issuers have given an undertaking to the Dealers that they shall supply to each Dealer such number of copies of such supplement hereto or such new Prospectus as such Dealer may reasonably request.

### **Presentation of Alternative Performance Measures**

This Prospectus (including the information incorporated by reference in it) contains references to certain measures of financial performance or position of the Group (as defined herein) that are not defined or specified according to International Financial Reporting Standards or any other generally accepted accounting standards. The Issuers and the Guarantor consider that these measures provide additional useful information on the performance and position of the Group. These measures, referred to as Alternative Performance Measures ("**APMs**"), should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. The APMs are defined on pages 229 to 232 of the Severn Trent Annual Report and Accounts 2023.

## OVERVIEW OF THE PROGRAMME

The following Overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this overview.

Issuers:	Severn Trent Plc Severn Trent Utilities Finance Plc
Issuer Legal Entity Identifier	Severn Trent Plc: 213800RPBXRETY4A4C59 Severn Trent Utilities Finance Plc: 213800KY9PT6WBH33232
Guarantor:	Severn Trent Water Limited, in respect of Notes issued by STUF
Guarantor Legal Entity Identifier:	213800YRZJSBNC82J77
Description:	Euro Medium Term Note Programme
Arranger:	NatWest Markets Plc
Dealers:	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited NatWest Markets Plc  (and any other Dealers appointed in accordance with the Programme Agreement).
Agent:	HSBC Bank plc
Trustee:	The Law Debenture Trust Corporation p.l.c.
Listing and Admission to Trading:	Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's main market.
Clearing Systems:	Euroclear and/or Clearstream, Luxembourg.
Programme Size:	Up to €8,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge) unsecured obligations of the relevant Issuer and will rank <i>pari passu</i> among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
Status of the Guarantee:	Notes issued by STUF will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under each Guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge) unsecured obligations of the Guarantor and (subject as aforesaid and save for certain obligations required to be preferred by law) will rank equally with all other unsecured

obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

Form of Notes:	Each Tranche of Notes will be in bearer form and will be initially issued in the form of a Temporary Global Note or, if so specified in the applicable Final Terms, a Permanent Global Note which, in either case, will (i) if the Global Notes are intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a Common Depository for Euroclear and Clearstream, Luxembourg.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
Maturities:	Such maturities as may be agreed between the relevant 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 relevant Issuer or the relevant Specified Currency.
Issue Price:	Notes 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.
Types of Notes:	The following types of Note may be issued: (i) Notes which bear interest at a fixed rate or a floating rate; (ii) Notes which do not bear interest; and (iii) Notes which bear interest, and/or the redemption amount of which is, calculated by reference to the United Kingdom Retail Prices Index (" <b>RPI</b> "), the United Kingdom Consumer Prices Index (" <b>CPI</b> ") or the United Kingdom Consumer Prices Index including owner occupier's housing costs (" <b>CPIH</b> "). In addition, Notes which have any combination of the foregoing features may also be issued.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer (and indicated in the applicable Final Terms).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none"><li>(i) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or</li><li>(ii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer (and indicated in the applicable Final Terms).</li></ul> <p>The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p>
Index-Linked Notes:	The Programme provides for the issue of Notes in respect of which the amount of interest payable (" <b>Index-Linked Interest Notes</b> ") and/or the amount to be repaid upon redemption of the Notes (" <b>Index-Linked Redemption Notes</b> " and, together with Index-Linked Interest Notes, " <b>Index-Linked Notes</b> ") may be calculated by reference to the RPI, CPI or CPIH.

Other provisions in relation to Floating Rate Notes and Index-Linked Interest Notes: Floating Rate Notes and Index-Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes and Index-Linked Interest Notes in respect of each Interest Accrual Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer (and indicated in the applicable Final Terms).

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Benchmark discontinuation: If so specified in the applicable Final Terms for a Series of Notes, then in the event that a Benchmark Event or Benchmark Transition Event (as applicable) occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Final Terms, then the relevant Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and the application of an adjustment spread (which could be positive, negative or zero)). See Condition 4(b)(xi) for further information.

Redemption: The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant 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 relevant Issuer and the relevant Dealer.

Notes having a maturity of less than one year are subject to restrictions on their redemption value and distribution, see "Selling Restrictions" below.

Put Event: Notes with a maturity of more than 20 years will be subject to a Put Event (as defined in Condition 7(e)). If, at any time while any such Note remains outstanding, a Put Event occurs, then (other than in certain circumstances described in Condition 7(e)) the holder of such Note will, upon the giving of a Put Event Notice (as defined in Condition 7(e)), have the option to require the relevant Issuer to redeem the Note on the Put Date (as defined in Condition 7(e)) at the Event Put Amount (as indicated in the applicable Final Terms), together with interest accrued up to (but excluding) the Put Date.

A Put Event occurs if (i) the appointment of STWL as in effect on the relevant Issue Date as the water undertaker and sewerage undertaker for the areas described in the Instrument of Appointment dated August 1989 made by the Secretary of State under sections 11 and 14 of the Water Act 1989 (now section 6 of the Water Industry Act 1991) is terminated other than in respect of such part of its area as is the subject of an appointment or variation by virtue of section 7(4)(b) or (bb) of the Water Industry Act 1991 or (ii) a Restructuring Event (as defined in Condition 7(e)) occurs and, within the Restructuring Period (as

defined in Condition 7(e)), certain other conditions described in Condition 7(e) occur or (iii) in the case of Notes issued by Severn Trent only, STWL ceases to be a Subsidiary of Severn Trent.

- Denominations:** The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that (i) the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, and (ii) the minimum denomination of Notes which may be issued under the Programme is €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).
- Taxation:** All payments in respect of the Notes will be made without any withholding or deduction for or on account of withholding taxes imposed by the United Kingdom or any political subdivision of, or any authority in, or of, the United Kingdom, having power to tax, save as may be required by law. In the event that any such withholding or deduction is required by law, the relevant Issuer or, as the case may be, the Guarantor, will, save in certain circumstances provided in Condition 8, be required to pay an additional amount in respect of the amount so withheld or deducted.
- Negative Pledge:** The terms of the Notes will contain a negative pledge provision which restricts the ability of the relevant Issuer and, if applicable, the Guarantor to create or permit to subsist certain security interests (such as mortgages, charges, liens or other encumbrances) over the whole or any part of its undertaking or assets to secure payment of relevant indebtedness (being indebtedness in the form of bonds, notes, loan stock or similar securities which are quoted or traded on a stock exchange or other recognised securities market, but excluding certain project finance indebtedness), or guarantees or indemnities in respect thereof, unless the Notes are accorded the same security or such other arrangements are made as the Trustee deems to be not materially less beneficial to the Noteholders or the Noteholders otherwise approve by an Extraordinary Resolution.
- Rating:** The Programme has been rated: Baa2 (in respect of Notes issued by Severn Trent) and Baa1 (in respect of Notes issued by STUF) by Moody's Investors Service Limited, BBB- (in respect of Notes issued by Severn Trent) and BBB+ (in respect of Notes issued by STUF) by S&P Global Ratings UK Limited and BBB+ (in respect of Notes issued by Severn Trent) and A- (in respect of Notes issued by STUF) by Fitch Ratings Ltd.
- Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be specified in the applicable Final Terms, and will not necessarily be the same as the ratings assigned to the relevant Issuer or, if applicable, the Guarantor.
- A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
- Governing Law:** The Notes and the Trust Deed, and any non-contractual obligations arising out of or in connection with the Notes or the Trust Deed will be governed by, and shall be construed in accordance with, English law.
- Selling Restrictions:** Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or

reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Prospectus.

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area and the United Kingdom (and a prohibition of sales to EEA and UK retail investors), Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes.

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted by way of business in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the FSMA unless they are issued to a limited class of professional investors and have a redemption value of at least £100,000 or its equivalent, see "*Subscription and Sale*".



## RISK FACTORS

*The Issuers and the Guarantor believe that the following factors may affect their ability to fulfil their respective obligations under the Notes issued under the Programme and the Guarantee (as applicable). All of these factors are contingencies which may or may not occur. In addition, risk factors which are specific to the Notes are also described below.*

*The Issuers and the Guarantor believe that the factors described below represent the principal risks inherent in investing in the Notes issued under the Programme, but the inability of the Issuers and the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuers and the Guarantor do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*Unless otherwise defined in this section, capitalised terms shall have the meanings given in the sections entitled "Description of Severn Trent Plc", "Description of Severn Trent Utilities Finance Plc", "Description of Severn Trent Water Limited", "Form of Applicable Final Terms", "Terms and Conditions of the Notes" and "Clearing and Settlement".*

*Prospective investors should consider, among other things, the following*

### **Factors that may affect the Issuers' and the Guarantor's ability to fulfil their obligations under Notes issued under the Programme and under the Guarantee**

Unless otherwise specified by reference to the Guarantor or a particular Issuer or Hafren Dyfrdwy Cyfyngedig ("**Hafren Dyfrdwy**", formerly named Dee Valley Water Limited ("**Dee Valley Water**")), the risks apply in the Group context, and are also applicable on an individual basis to the Guarantor, each of the Issuers and Hafren Dyfrdwy.

Through its business operations the Group (as defined in "Terms and Conditions of the Notes") is exposed to a number of commercial risks and uncertainties, which could have a material adverse effect on the Group's businesses, financial condition, operations and reputation, as well as the value and liquidity of the Group's securities. Not all of these factors are within the Group's control and, in addition, other factors besides those listed below may have an adverse effect on the Group. Any of these factors could have an adverse impact on the Issuers' and the Guarantor's ability to fulfil their respective obligations under the Notes.

### **The Legal, Regulatory and Political Environment**

The Group may be unable to effectively anticipate, influence or adapt to future developments in the UK water industry that could be driven by changing societal expectations, resulting in stricter legal and environmental obligations, commitments and/or enforcements and an increase in the risk of non-compliance. Ultimately, this could subsequently lead to business plans becoming unsustainable.

STWL and Hafren Dyfrdwy, (the "**Regulated Businesses**") operate in a highly regulated environment. Whilst the Group is broadly content with the direction of changes proposed for the Group's industry in Ofwat's strategy there remains a risk that additional future changes could have a significant impact upon the Group.

The renationalisation of the water industry could become a policy of the opposition party, and therefore remains a possibility in the event of a change of Government. In the event of renationalisation, there is a possibility that the Group's Regulated Businesses are acquired at below the value currently implied in Severn Trent Plc's share price.

Future UK political developments, including but not limited to changes in government structure and policies, could affect the fiscal, monetary and regulatory landscape to which the Group is subject and also therefore the Issuers' and the Guarantor's ability to fulfil their obligations under the Notes.

The regulatory landscape is complex and subject to ongoing change. There is also a risk that processes may fail or that the Group's processes may not effectively keep pace with changes in legislation leading to the risk of non-compliance with the legal and regulatory framework and enforcement by the Group's regulators (e.g. the Drinking Water Inspectorate ("**DWI**"), the Environmental Agency ("**EA**") and the Water Services Regulation Authority ("**Ofwat**").

The Group's policies and processes must reflect the current legal and regulatory environment and all relevant employees must be kept aware of new requirements. The Group as a whole may face censure for non-compliance in an individual Group company or a specific region in which it operates. A description of STWL's terms of appointment is set out in more detail in "*Description of Severn Trent Water Limited – Licence Appointment Conditions*". STWL is price-regulated with the prices it is able to charge its customers agreed with Ofwat by reference to its forward business plans. STWL would need consent from Ofwat to increase its prices in the event of any unexpected cost increases under the terms of its licences.

Non-compliance with STWL's licence requirements can result in censure or monetary fines of up to 10 per cent. of turnover and more serious breaches could result in modifications to the licence or to the termination of the licence and potentially the appointment of a special administrator. These developments in compliance and regulatory requirements could have an adverse impact on the Issuers' and the Guarantor's ability to fulfil their respective obligations under the Notes.

### **Operational Performance**

STWL may fail to provide a safe and secure supply of drinking water to its customers or fail to transport and treat wastewater effectively, resulting in reduced public confidence in STWL's services. This may be exacerbated if key suppliers cannot meet contractual obligations or disruption in the supply chain leads to delays which cause disruption to capital delivery (cost and quality), critical operational services and customer dissatisfaction.

STWL may fail to meet its regulatory targets, including targets from Ofwat in relation to operational performance of its assets resulting in regulatory penalties.

STWL's performance is measured against metrics called Output Delivery Incentives ("**ODIs**"). ODIs allow companies to earn more for outperformance or suffer penalties for underperformance. ODIs apply to all of STWL's water treatment, distribution, sewerage and sewage treatment assets. Measures are in place in relation to water quality, continuous supplies, sewer flooding, sewer collapses and pollution events.

If STWL is unable to meet operational performance targets, it may be subjected to significant regulatory penalties either within the current price review period, or applied to the next price review. The failure to meet regulatory targets could have an adverse impact on the Issuers' and the Guarantor's ability to fulfil their respective obligations under the Notes.

### **Customer Service and Experience**

The Group may be unable to improve and maintain levels of customer service sufficiently to meet the needs of its customers or anticipate changing expectations through the level of customer experience provided by the Group.

Failure to deliver a high level of customer service consistently could lead to a decline in customer satisfaction and harm the relationship between the business and its customers, which may in turn lead to a loss of reputation.

Inadequate understanding of changing customer expectations can cause the business to offer services that do not align with customer demands. This could negatively impact the customer experience offered by the group and result in an increase in unresolved complaints or long response times.

If the Group is unable to provide the level of service required to meet customers' expectations it may also suffer financial penalties under Ofwat's Customer measure of experience ("**C-MeX**") and reduced levels of associated ODIs. This could have an adverse impact on the Issuers' and the Guarantor's ability to fulfil their respective obligations under the Notes.

### ***Failure of the Group's assets, processes or systems***

Due to the nature of STWL's operations there is a risk that the Group could endanger the health and safety of staff, contractors and members of the public, as well as negatively impact the local and wider environment.

Failure of certain key assets or processes may result in an inability to provide a continuous supply of clean water and to safely take waste water away within STWL's licence areas. Some of STWL's assets are critical to the provision of water to large populations for which there are limited alternative means of supply. Examples include failure of one of STWL's reservoirs or water treatment works. If a failure were to occur, this could result in a temporary inability to continue to serve STWL's customers and potentially impact the safety of staff, contractors and members of the public.

The Group may experience loss of data or interruptions to key business systems as a result of cyber attacks. The risks arising from loss of one or more of the major systems or corruption of data held in those systems could result in a negative impact on the Group's reputation, operations, regulatory (including GDPR) compliance or finances. Furthermore, the Group's operational sites could be the subject of a targeted cyber attack, threatening the Group's ability to provide a continuous supply of clean water and to safely take waste water away within STWL's licence areas.

The Issuers' and the Guarantor's ability to fulfil their respective obligations under the Notes may be adversely affected as a result of such failure of the Group's assets, processes or systems.

### ***Climate Change, Environment and Biodiversity***

Extreme weather (hotter and drier summers, wetter winters and more storms) associated with climate change could have a major impact upon how STWL operates. There is a risk that STWL may be unable to deal with the impact of extreme and unpredictable weather events on its assets and infrastructure and/or may be unable to successfully plan for future water resource supply and demand due to climate change. This may result in an inability to meet customer demand due to lower river levels, decreased raw water quality, flooding of STWL's water or waste works, sewer capacity being exceeded and increased land movement.

This could adversely affect the Group's income, result in regulatory penalties or require additional capital expenditure, which may adversely affect the Issuers' and the Guarantor's ability to fulfil their respective obligations under the Notes.

### ***Financial Liabilities relating to pensions***

Factors such as lower interest rates, higher inflation or underperforming equity markets may require the Group to provide more funding for its pension schemes.

As at 31 March 2023, the Group's largest defined benefit fund has a deficit of £279.4 million. In November 2022, the Company agreed the triennial actuarial valuation as at 31 March 2022, including repair payments of approximately £65 million per annum.

The Group continues to run a degree of investment risk within the scheme in order to further reduce the deficit. As such, the Group is exposed to market movements that may result in the deficit not falling as rapidly as the Trustee or The Pensions Regulator consider acceptable. This may lead to requests for additional repair payments above the agreed amounts, reducing the amount of cash available for shareholder distributions, servicing debts, debt reduction or reinvestment in the business.

The impact of financial market factors (lower interest rates, higher inflation and underperforming equity markets) on the Group's pension schemes may adversely affect the Issuers' and the Guarantor's financial position and their ability to fulfil their respective obligations under the Notes.

### ***Financial Liabilities relating to funding***

There is a risk the Group may be unable to ensure sufficient liquidity to meet its funding requirements. STWL has a large funding requirement for the remainder of AMP7 to refinance maturing debt and support its approved investment programme. There is a risk that STWL will not be able to raise sufficient funds, or funds at a suitable interest rate, or on suitable terms, at the requisite time. The Issuers' and Guarantor's ability to fulfil their respective obligations under the Notes may be adversely affected if they do not have access to external debt funding.

### ***Regulatory ring-fencing of STWL***

A substantial part of the Group's operations are conducted through STWL and its subsidiaries and a significant part of the Group's consolidated indebtedness has been incurred through the issue of Notes by STUF, guaranteed by STWL. Severn Trent is and will be dependent on the operations of STWL to service its indebtedness, including interest and principal on any Notes issued by Severn Trent and its obligations under Notes issued by it are structurally subordinated to all existing and future liabilities and obligations of STWL and its subsidiaries. As part of the regulatory requirements affecting STWL, entities within the regulated water business may not assume direct responsibility for businesses outside the regulated group. Accordingly, Severn Trent's obligations will not be guaranteed by any of its subsidiaries. Claims of creditors of such companies will have priority as to the assets of such companies over Severn Trent and its creditors. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of Severn Trent, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to Severn Trent. Notes issued under the Programme do not contain any restriction on the ability of STWL or its subsidiaries to incur additional indebtedness.

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

### ***Risks related to the structure of a particular issue of Notes***

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

#### ***Index-Linked Notes***

Index-Linked Notes may be issued on terms that the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of the Notes will be calculated by reference to movements in the United Kingdom Retail Prices Index ("**RPI**"), the United Kingdom Consumer Prices Index ("**CPI**") or the United Kingdom Consumer Prices Index including owner occupier's housing costs ("**CPIH**") (each, an "**Index**") during a reference period. Indices may go down as well as up.

Where Notes are issued, in respect of which the amount of interest payable is subject to adjustment by reference to an Index, a decrease in the Index over the reference period will reduce the interest amount for the relevant interest payment. In a deflationary environment, the annual interest received may be lower than the specified rate of interest.

Where the amount payable upon redemption of the Notes is subject to adjustment by reference to an Index, a decrease in the Index over the reference period may reduce the amount to be repaid upon redemption of the Notes to less than the principal amount of the Notes or even zero, unless the applicable Final Terms specifies a minimum redemption amount which is equal to or higher than the principal amount of the Notes.

#### ***Fundamental Changes to the Index***

The methodology 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 Notes may increase, or decrease, as a result of such a change to the RPI, CPI or CPIH methodology or basis of the calculation of the applicable index.

In particular, in March 2020, a public consultation was launched on proposals issued by the UK Statistics Authority ("**UKSA**") 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 UK government and the UKSA published their response to the consultation confirming that the methodology used for 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 users of RPI and it is unclear what, if any, further steps investors in existing RPI-linked products may take.

Condition 5(g)(ii) provides that in the case of a fundamental change to the coverage or the basic calculation of the relevant Index 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 Notes, the applicability or non-applicability of Condition 5(g)(ii) in the case of a fundamental change to the Index 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 Notes. Each investor should consider carefully, and seek independent financial advice on, the impact of such changes on their investment.

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

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

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

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

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

#### *Fixed/Floating Rate Notes*

Fixed/floating rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market in, and the market value of, the Notes since that Issuer may be expected to convert the rate when it is likely to result in a lower overall cost of borrowing for that Issuer. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the fixed/floating rate Notes may be less favourable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

*National and international regulatory reform in relation to benchmarks could have an adverse effect on the value of and return on any Notes which are linked to a benchmark*

Interest rates or components thereof such as EURIBOR, SONIA and SOFR and other types of rates and indices which are deemed "benchmarks" (each, a "**Benchmark**" and together, the "**Benchmarks**"), to which the interest on securities may be linked, are subject to ongoing national and international regulatory reforms. 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 Notes referencing or linked to such benchmark, including possible adverse tax consequences for certain Noteholders.

Regulation (EU) No. 2016/1011 (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 applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the UK. The EU Benchmarks Regulation or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the EU Benchmark Regulation or UK Benchmark Regulation, 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. More broadly, any of the 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 discontinuance or unavailability of quotes of certain "benchmarks".

On 29 November 2017, the Bank of England and the United Kingdom Financial Conduct Authority announced that, from January 2018, its working group on Sterling risk-free rates was mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the following four years across sterling bond, loan and derivative markets so that SONIA becomes established as the primary sterling interest rate benchmark.

On 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk-free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("**€STR**") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has been reformed in order to comply with the terms of the Benchmark Regulation, it remains uncertain as to how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

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

Alternative reference rates may be (or may be derived from) risk-free rates, which may perform very differently from the relevant predecessor rates (which include an interbank lending margin).

Additionally, the European Money Markets Institute ("**EMMI**") has indicated that it intends to develop a hybrid methodology for calculating the EURIBOR benchmark and carried out in-depth testing of the proposed methodology. On 28 November 2019, EMMI announced that it had successfully completed the phase-in of all panel banks to the EURIBOR hybrid methodology. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Based on the foregoing, prospective investors should in particular be aware that:

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including EURIBOR) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be; and
- (b) if EURIBOR is unavailable in circumstances where Condition 4(b)(xi) does not apply, then the rate of interest on the Notes will be determined for a period by the fallback provisions provided for under Condition 4(b) of the Terms and Conditions of the Notes and as specified in the applicable Final Terms, although such provisions, being dependent in part upon the provision by reference banks of offered quotations for leading banks in the Euro-zone interbank market, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may in certain circumstances result in the effective application of a fixed rate based on the rate which applied in the previous period when EURIBOR was available.

In addition, it should be noted that divergent interest rate calculation methodologies may develop and apply as between the Notes due to applicable fallback provisions or other matters and the effects of this are uncertain but could include a reduction in the amounts available to the relevant Issuer to meet its payment obligations in respect of the Notes.

Moreover, any of the above matters or any other significant change to the setting or existence of EURIBOR or any other relevant interest rate benchmark could affect the ability of the relevant Issuer to meet its obligations under the Notes and/or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Notes. No assurance may be provided that relevant changes will not occur with respect to EURIBOR or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to Floating Rate Notes.

Investors should consult their own independent advisors and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms or possible cessation or reform of certain reference rates in making any investment decision with respect to any Notes linked to or referencing a Benchmark. (See also "*Benchmark discontinuation fallbacks*" below.)

#### *Benchmark discontinuation under the Terms and Conditions of the Notes*

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event or a Benchmark Transition Event (as applicable) occurs in respect of the Original Reference Rate for the relevant series of Notes, including (without limitation) if an inter-bank offered rate (such as EURIBOR) or other relevant reference rate (which could include, without limitation, any mid-swap rate), and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable or a Benchmark Event or a Benchmark Transition Event (each as defined in the Terms and Conditions of the Notes), as applicable, otherwise occurs.

Such fallback arrangements include the possibility that the rate of interest could be set by reference to a successor, alternative or a Benchmark Replacement (as defined in the Terms and Conditions of the Notes) together with the application of an adjustment spread or Benchmark Replacement Adjustment (as defined in the Terms and Conditions of the Notes) (which could be positive, negative or zero), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the new benchmark, all as determined by the relevant Issuer (acting in good faith and in consultation with an Independent Adviser) and as more fully described at Condition 4(b)(xi). It is possible that the adoption of a successor or alternative rate or Benchmark Replacement,

including any adjustment spread or Benchmark Replacement Adjustment, may result in a rate of interest less favourable to holders than the Original Reference Rate.

There is also a risk that the relevant fallback provisions may not operate as expected or as intended at the relevant time.

*The market continues to develop in relation to risk free rates (including overnight rates) as reference rates*

Where the applicable Final Terms for a Series of Floating Rate Notes identifies that the Rate of Interest for such Notes will be determined by reference to SONIA or SOFR, the Rate of Interest will be determined on the basis of such reference rate (as further described in the Terms and Conditions of the Notes). All such rates are based on 'overnight rates'. Overnight rates differ from interbank offered rates, such as EURIBOR, in a number of material respects, including (without limitation) that such rates are backwards-looking, risk-free overnight rates, whereas EURIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that overnight rates may behave materially differently as interest reference rates for Notes issued under the Programme compared to interbank offered rates. The use of overnight rates as reference rates for eurobonds is subject to continued change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such overnight rates.

Accordingly, prospective investors in any Notes referencing any overnight rates should be aware that the market continues to develop in relation to such rates in the capital markets and their adoption as an alternative to interbank offered rates such as EURIBOR. Market participants, industry groups and/or central bank-led working groups have explored compounded and weighted average rates and observation methodologies for such rates (including so-called 'shift', 'lag', and 'lock-out' methodologies) and forward-looking 'term' reference rates derived from these overnight rates have also been, or are being, developed. The adoption of overnight rates may also see component inputs into swap rates or other composite rates transferring from term rates such as LIBOR to an overnight rate.

The market or a significant part thereof may adopt overnight rates in a way that differs significantly from those set out in the Terms and Conditions of the Notes issued under the Programme. In addition, the methodology for determining any overnight rate index by reference to which the Rate of Interest in respect of certain Notes may be calculated could change during the life of any Notes. Furthermore, the relevant Issuer may in the future issue Notes referencing SONIA or SOFR that differ materially in terms of interest determination when compared with any previous SONIA- or SOFR-referenced Notes issued by it under the Programme. The continued development of overnight rates as interest reference rates for the eurobond markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise adversely affect the market price of any such Notes issued under the Programme from time to time.

Furthermore, the Rate of Interest on Notes which reference overnight rates is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes which reference overnight rates to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes. Further, in contrast to EURIBOR-based Notes, if Notes referencing an overnight rate become due and payable as a result of an Event of Default under Condition 10, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall only be determined immediately prior to the date on which the Notes become due and payable.

In addition, the manner of adoption or application of overnight rates in the eurobond markets may differ materially when compared with the application and adoption of the same overnight rates for the same currencies in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of overnight rates across these markets



may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing overnight rates.

Investors should carefully consider these matters when making their investment decision with respect to any such Notes.

#### *Benchmark discontinuation fallbacks*

Furthermore, in certain circumstances, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Accrual Period may result in the Rate of Interest for the last preceding Interest Accrual Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the UK Benchmarks Regulation and/or the EU Benchmarks Regulation reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to any Notes referencing a benchmark.

#### ***In respect of any Notes issued as Sustainable Notes, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor***

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Group's intention to apply the proceeds from an offer of those Notes (or an amount equal thereto) (such Notes being "**Sustainable Notes**") specifically for Eligible Sustainable Investments (as defined in the section of this Prospectus entitled "*Sustainable Finance Framework*"). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Sustainable Notes together with any other investigation such investor deems necessary. In particular, no assurance is given by the relevant Issuer and/or the Guarantor, any other member of the Group, the Arranger, any Dealer, any of their respective affiliates or any other person that the use of such proceeds (or an amount equal thereto) for any Eligible Sustainable Investments will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Sustainable Investments.

The Group's Sustainable Finance Framework (including, without limitation, the nature and range of investments categorised as Eligible Sustainable Investments), and/or any second party opinion given in respect of the Group's Sustainable Finance Framework, may be modified, supplemented or replaced from time to time, without the need for any consent or approval from the Arranger, the Dealers, the Trustee, the Noteholders, the Couponholders or any other person. Any such modification, supplement or replacement will not constitute an event of default under any Notes, and will not give the Trustee, the Noteholders or the Couponholders any rights against the Issuers or the Guarantor. There can be no assurance that any such modification, supplement or replacement will align with, or will not diverge from, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply.

Furthermore, neither the Arranger nor any Dealer, nor any of their respective affiliates, is responsible for (i) the monitoring of the use of proceeds (or amounts equal thereto) in connection with the issue of any Sustainable Notes, (ii) the allocation of the proceeds by the relevant Issuer to particular Eligible Sustainable Investments, (iii) any assessment of the Eligible Sustainable Investments criteria or (iv) the contents of any sustainable notes framework developed by the Issuers and/or the Guarantor or any other member of the Group or any second party opinion or certificate thereon, and no investor in any Notes will have any recourse to the Arranger, any of the Dealers or any of their respective affiliates in connection therewith.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given

that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Sustainable Investments will meet any or all investor expectations or requirements regarding such "green", "sustainable" or other equivalently-labelled performance objectives (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy**")) or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Sustainable Investments.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party, including but not limited to DNV Business Assurance Services Limited ("**DNV**"), (whether or not solicited by the Group) which may be made available in connection with the issue of any Sustainable Notes and in particular with any Eligible Sustainable Investments to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, and shall not be deemed to be, incorporated in and/or form part of this Prospectus. Any such opinion or certification is not, and should not be deemed to be, a recommendation by the relevant Issuer and/or the Guarantor, any other member of the Group, the Arranger, any Dealer, any of their respective affiliates or any other person to buy, sell or hold any such Sustainable Notes. Any such opinion or certification is only current at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in Sustainable Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

While it is the intention of the Group to apply the proceeds of any Sustainable Notes (or an amount equal thereto) for Eligible Sustainable Investments in, or substantially in, the manner described in this Prospectus, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Sustainable Investments will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds (or amounts equal thereto) will be totally or partially disbursed for such Eligible Sustainable Investments. Nor can there be any assurance that such Eligible Sustainable Investments will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Group. Any such event or failure by the relevant Issuer and/or the Guarantor or any other member of the Group will not constitute an Event of Default under the Sustainable Notes, will not give rise to any claim against the Issuers, the Guarantor, the Arranger, any Dealer, any of their respective affiliates or any other person, and will not lead to an obligation of the relevant Issuer to redeem such Sustainable Notes. Neither the Arranger nor any Dealer, nor any of their respective affiliates, is responsible to any person for (i) any assessment of any eligibility criteria relating to Sustainable Notes, (ii) any verification of whether Eligible Sustainable Investments satisfy the relevant eligibility criteria or (iii) the monitoring of the use of proceeds, and neither the Arranger nor any Dealer, nor any of their respective affiliates, will verify or monitor the proposed use of proceeds of Sustainable Notes issued under the Programme or any of the other commitments set out in the Sustainable Finance Framework relating to Sustainable Notes.

Any such event or failure to apply the proceeds of any issue of Sustainable Notes (or an amount equal thereto) for any Eligible Sustainable Investments as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Group is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any Sustainable Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Sustainable Notes and also potentially the value of any other Notes which are intended to finance

Eligible Sustainable Investments and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

***There can be no assurance that any Sustainable Notes admitted to trading on any dedicated sustainable (or similar) segment of any stock exchange or market will satisfy any present or future investor expectations or requirements***

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

***The impact on investor demand for Sustainable Notes of the proposal for a European Green Bond Standard is unclear***

Provisional political agreement was reached in February 2023 on the legislative proposal for a European Green Bond Standard, which will be a voluntary label for issuers of green use of proceeds bonds (such as any Sustainable Notes which may be issued under the Programme) where the proceeds will be invested in economic activities aligned with the EU Taxonomy. However, the provisional political agreement remains subject to change and there is no assurance if or when such European Green Bond Standard will be confirmed and adopted by the European Council and European Parliament. Any Sustainable Notes issued under the Programme will not be aligned with such European Green Bond Standard and are intended to comply with the criteria and processes set out in the Sustainable Finance Framework only. It is not clear at this stage the impact which the European Green Bond Standard, if and when implemented, may have on investor demand for, and pricing of, green use of proceeds bonds (such as any Sustainable Notes which may be issued under the Programme) that do not meet such standard. It could reduce demand and liquidity for Sustainable Notes and their price.

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

*Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

***Risks relating to the Notes generally***

*The Notes are not protected by the Financial Services Compensation Scheme*

Unlike a bank deposit, the Notes are not protected by the Financial Services Compensation Scheme (the "FSCS"). As a result, the FSCS will not pay compensation to an investor in the Notes upon the failure of the relevant Issuer. If the relevant Issuer and, if applicable, the Guarantor goes out of business or becomes insolvent, Noteholders may lose all or part of their investment in the Notes.

*The secondary market generally*

Notes will have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be liquid. These factors may be further exacerbated in the event that any Notes are issued to only one or a limited number of initial investors. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield

comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Further, if an investor chooses to sell its Notes in the open market at any time prior to maturity of the Notes, the price the investor will receive from a purchaser may be less than its original investment, and may be less than the amount due to be repaid at maturity of the Notes if the investor were to hold onto the Notes until then. Factors that will influence the price received by investors who choose to sell their Notes in the open market may include, but are not limited to, market appetite, inflation, the period remaining to maturity of the Notes, prevailing interest rates and the financial position of the relevant Issuer and, if applicable, the Guarantor.

#### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more integral multiples of a smaller amount there above, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### *Modification, waivers and substitution*

The Terms and Conditions of the Notes and the Trust Deed contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Terms and Conditions or of any of the provisions of the Trust Deed or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (as those terms are defined in the Trust Deed) shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes or, where the Issuer is STUF, the substitution of another company as guarantor under any Notes, in the circumstances described in Condition 18 of the Terms and Conditions of the Notes subject in each case to being secured and/or indemnified to its satisfaction.

#### *Change of law*

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

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

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors

discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended) subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the 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).

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. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

Neither the list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation nor the equivalent list published by the FCA on its website in accordance with the UK CRA Regulation is 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 or FCA list, as applicable. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

If the status of the rating agency rating any Notes changes, certain regulated investors may no longer be able to use the rating for regulatory purposes and such Notes may have a different regulatory treatment. This may result in such regulated investors selling the Notes which may impact the value of such Notes and any secondary market in such Notes.

## FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a Temporary Global Note or, if so specified in the applicable Final Terms, a Permanent Global Note which, in either case, will:

- (i) if the Global Notes are intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg; and
- (ii) if the Global Notes are not intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Tranche to a Common Depository for Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not US persons or persons who have purchased for resale to any US person, as required by US Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code, (see "Subscription and Sale" for further information).

On and after the date (the "**Exchange Date**") which, in respect of each Tranche in respect of which a Temporary Global Note is issued, is 40 days after the Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge), upon a request as described therein, for either (i) interests in a Permanent Global Note of the same Series or (ii) definitive Notes of the same Series with, where applicable, Coupons and Talons attached (each as defined in "Terms and Conditions of the Notes") (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) and any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, Coupons and Talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. Notes having Specified Denominations consisting of a minimum Specified Denomination plus one or more integral multiples of a smaller amount there above will only be exchangeable for definitive Notes upon an Exchange Event. For these purposes, "**Exchange Event**" means that (i) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (ii) the relevant Issuer or, as the case may be, (where the relevant Issuer is STUF) the Guarantor has or will become subject to adverse tax consequences which (A) are the result of any legislative change in the United Kingdom and (B) would not be suffered were the Notes in definitive form and a certificate to such effect is given by two Directors of the relevant Issuer or, as the case may be, (where the relevant Issuer is STUF) the Guarantor, to the Trustee. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the

instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent (as defined in "Terms and Conditions of the Notes") requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes (other than Temporary Global Notes) and on all Coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

"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 provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes or Coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein 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 relevant Issuer, the Agent and the Trustee.

In respect of Notes represented by a Global Note issued in NGN form, the nominal amount of such Notes shall be the aggregate amount from time to time entered in the records of both Euroclear and Clearstream, Luxembourg. The records of Euroclear and Clearstream, Luxembourg shall be conclusive evidence of the nominal amount of such Notes and a statement issued by Euroclear and/or Clearstream, Luxembourg shall be conclusive evidence of the records of such parties at that time.

Each of the Issuers has entered into an agreement with Euroclear and Clearstream, Luxembourg (the "**ICSDs**") in respect of any Notes issued in NGN form that the Issuer may request be made eligible for settlement with the ICSDs (the "**ICSD Agreements**"). The ICSD Agreements set out that the ICSDs will, in respect of any such Notes, inter alia, maintain records of their respective portion of the issue outstanding amount and will, upon an Issuer's request, produce a statement for such Issuer's use showing the total nominal amount of its customer holding of such Notes at a specified date.

The applicable Final Terms of each Tranche of Notes will indicate whether the Notes are to be issued in NGN form. Where the Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Notes are intended to be held in a manner which would allow Eurosystem eligibility. The fact that Notes are intended to be held in a manner which would allow Eurosystem eligibility simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes 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 European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

If, in respect of any Tranche of Notes, the applicable Final Terms specifies that the Global Note may be exchanged for definitive Notes in circumstances other than upon the occurrence of an Exchange Event, such Notes will be issued with only one Specified Denomination or all Specified

Denominations of such Notes will be an integral multiple of the lowest Specified Denomination, as specified in the applicable Final Terms.



## FORM OF FINAL TERMS

**[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 Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration 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 Notes (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 Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the 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 Notes (by either adopting or refining the manufacturer[**'s/s'**] target market assessment) and determining appropriate distribution channels.]

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended "**MiFID II**")][**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**. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the **PRIIPs Regulation**.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the [European Union (Withdrawal) Act 2018, as amended ("**EUWA**")][**EUWA**]; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the **EUWA**. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the **EUWA** (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the **UK PRIIPs Regulation**.

**[Singapore Securities and Futures Act Product Classification** - In connection with Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Notes as [prescribed capital markets products (as defined in the **CMP Regulations 2018**) and Excluded

Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)]/[ ]]

[Date]

**[Severn Trent Plc (incorporated with limited liability in England and Wales with registered number 2366619)/Severn Trent Utilities Finance Plc (incorporated with limited liability in England and Wales with registered number 2914860)]**

**Legal entity identifier (LEI): 213800RPBXRETY4A4C59 / 213800KY9PT6WBH33232**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**[Guaranteed by Severn Trent Water Limited] under the €8,000,000,000 Euro Medium Term Note Programme**

### **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Prospectus dated 26 July 2023 [and the supplement(s) to it dated [date]] which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation. The "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the EUWA. This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Prospectus [as so supplemented]. Full information on the Issuer [, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplement(s) to it dated [date]] [is/are] available for viewing on Severn Trent's website at [ ].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus or Offering Circular with an earlier date]*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the [Offering Circular][Prospectus] dated [original date] [and the supplement to it dated [date]] which are incorporated by reference in the Prospectus dated [current date] and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Prospectus dated [current date] [and the supplement(s) to it dated [date]] which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation. The "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the EUWA. Full information on the Issuer [,the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus dated [current date] [and the supplement(s) to it dated [date]]. The Prospectus [and the supplement(s) to it dated [date]] [is/are] available for viewing on Severn Trent's website at [ ].

1. (i) Issuer: [Severn Trent Plc/Severn Trent Utilities Finance Plc]
- (ii) Guarantor: [Not Applicable]/[Severn Trent Water Limited]
2. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph [ ] below, which is expected to occur on or about [ ]][Not Applicable]

3. Specified Currency or Currencies: [ ]
- (i) Series: [ ]
- (ii) Tranche: [ ]
4. Aggregate Nominal Amount:
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount of the Tranche [plus accrued interest from [ ]]
6. (i) Specified Denominations: [ ] / [€100,000] [and integral multiples of [ ] in excess thereof up to and including [ ]. No Definitive Notes will be issued with a denomination above [ ]]
- (ii) Calculation Amount: [ ]
7. [(i)] Issue Date: [ ]
- [(ii)] Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
8. Maturity Date: [[ ]/Interest Payment Date falling in or nearest to [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[EURIBOR/SONIA/SOFR] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index-Linked Interest (Condition 5(g)(ii) [applicable/not applicable])]
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount  
[Index-Linked Redemption (Condition 5(g)(ii) [applicable/not applicable])]
11. Change of Interest Basis or Redemption/Payment Basis: [ ]/[Not Applicable]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Issuer Residual Call]  
[Make-Whole Redemption by the Issuer]  
[Issuer Maturity Call]  
[Index Redemption Event]
13. [Date Board and Committee approval for insurance of Notes obtained: [ [ ]][and [ ], respectively]]/[Not Applicable]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions** [Applicable/Not Applicable]

- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/ quarterly/[ ] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]/[Not Applicable]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/Actual/Actual Canadian Compound Method]
- (vi) Determination Date(s): [ ] in each year/[Not Applicable]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/[ ]]

**15. Floating Rate Note Provisions** [Applicable/Not Applicable]

- (i) Period(s)/Specified Interest Payments Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iii) Additional Business Centre(s): [ ]/[Not Applicable]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: Screen Rate Determination
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ] (the "**Calculation Agent**")
- (vi) Screen Rate Determination: Applicable
  - Reference Rate: [Compounded Daily SONIA]  
[Compounded Daily SOFR]  
[Weighted Average SOFR]  
[ ]-month [EURIBOR/[ ]]
  - Term Rate [Applicable/Not Applicable]
    - o Specified Time [[11.00 a.m./[ ] in the Relevant Financial Centre] / [Not Applicable]

- Relevant Financial Centre: [London/New York/Brussels/[ ]] / [Not Applicable]
- Overnight Rate [Applicable/Not Applicable]
  - Index Determination: [Applicable/Not Applicable]
  - Relevant Number: [[5 / [ ]] [[London Banking Days]/[U.S. Government Securities Business Days]/[Not Applicable]]
 

*(If 'Index Determination' is 'Not Applicable', delete 'Relevant Number' and complete the remaining bullets below)*

*(If 'Index Determination' is 'Applicable', insert number of days (expected to be five or greater) as the Relevant Number, and the remaining bullets below will each be 'Not Applicable')*
  - D: [360/365/[ ]] / [Not Applicable]
  - Observation Method: [Lag/Lock-out/Observation Shift/Not Applicable]
  - Lag Period: [5 / [ ]] [London Banking Days] [U.S. Government Securities Business Days] [[City] Banking Days] [Not Applicable]
  - Observation Shift Period: [5 / [ ]] [London Banking Days] [U.S. Government Securities Business Days] [[City] Banking Days] [Not Applicable]
 

*(NB: A minimum of 5 relevant business/banking days should be specified for the Lag Period or Observation Shift Period, unless otherwise agreed with the Calculation Agent)*
- Interest Determination Date(s): [ ] [TARGET/[ ]] Business Days [in [ ]] prior to the [ ] day in each Interest Period/each Interest Payment Date[[The [first/[ ]] [London Banking Day] / [U.S. Government Securities Business Day] falling after the last day of the relevant Observation Period][The [first/[ ]] Banking Day falling after the last day of the relevant Observation Period (where "**City Banking Day**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in [City])][ ]]
- Relevant Screen Page: [ ] [Not Applicable]
- (vii) Linear Interpolation [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (viii) Margin(s): [+/-] [ ] per cent. per annum

(ix)	Minimum Rate of Interest:	[ ] per cent. per annum
(x)	Maximum Rate of Interest:	[ ] per cent. per annum
(xi)	Day Count Fraction:	[Actual/Actual (ISDA)]/[Actual/Actual] [Actual/Actual(ICMA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [30/360]/[360/360]/[Bond Basis] [Actual/360] [30E/360]/[Eurobond basis] [30E/360 (ISDA)]
(xii)	Benchmark Discontinuation:	[Applicable/Not Applicable]
	- Benchmark Replacement:	[Applicable – Condition 4(b)(xi)(A) applies] / [Not Applicable]
	- Benchmark Transition:	[Applicable – Condition 4(b)(xi)(B) applies] / [Not Applicable]  <i>(Unless otherwise agreed, select 'Benchmark Transition' if the Notes are Floating Rate Notes and the Original Reference Rate is SOFR; otherwise, select 'Benchmark Replacement')</i>
	<b>16. Zero Coupon Note Provisions</b>	[Applicable/Not Applicable]
(i)	Accrual Yield:	[ ] per cent. per annum
(ii)	Reference Price:	[ ]
(iii)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Actual/Actual (ISDA)]/[Actual/Actual] [Actual/Actual(ICMA)] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [30/360]/[360/360]/[Bond Basis] [Actual/360] [30E/360]/[Eurobond basis] [30E/360 (ISDA)]
	<b>17. Index-Linked Interest/Redemption Note Provisions</b>	[Applicable – Conditions [5(b)] and [5(c)] apply /Not Applicable]
(i)	Index/Formula:	[RPI/CPI/CPIH]

- (a) Index Figure applicable to: [particular month: paragraph (i) of the definition of "Index Figure applicable" applies] [particular date: paragraph (ii) of the definition of "Index Figure applicable" applies]
- (b) Base Index Figure: [ ]
- (c) N: [ ]
- (d) Rate of Interest: [ ] per cent. per annum
- (e) Reference Gilt: [ ]/[Not Applicable]
- (ii) Limited Index Linked Notes: [Applicable/Not Applicable]
- (a) Minimum Indexation Factor: [Not Applicable/[ ]]
- (b) Maximum Indexation Factor: [Not Applicable/[ ]]
- (c) Limited Indexation Month(s) or Limited Indexation Period for calculation of Limited Indexation Factor: [ ]
- (iii) Name and address of Calculation Agent: [ ]
- (iv) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]/[Not Applicable]
- (v) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable]
- (vii) Additional Business Centre(s): [ ]/[Not Applicable]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [Actual/Actual (ISDA)]/[Actual/Actual]  
[Actual/Actual (ICMA)]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]

[Actual/360]  
[30/360]/[360/360]/[Bond Basis]  
[30E/360]/[Eurobond basis]  
[30E/360 (ISDA)]

(xi) Determination Date(s): [[ ] in each year]/[Not Applicable]

## PROVISIONS RELATING TO REDEMPTION

18. Issuer Call: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ] / [Any day falling in the period commencing on (and including) [ ] and ending on ([and including/but excluding])/[the Maturity Date]/[ ]]
- (ii) Optional Redemption Amount: [ ] per Calculation Amount[, adjusted in accordance with Condition 5(c)]
- (a) Minimum Optional Redemption Amount: [Not Applicable/[ ] per Calculation Amount]
- (b) Maximum Optional Redemption Amount: [Not Applicable/[ ] per Calculation Amount]
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Higher Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in Terms and Conditions): [ ]
19. Issuer Residual Call [Applicable/Not Applicable]
- (i) Residual Call Early Redemption Amount: [ ] per Calculation Amount[, adjusted in accordance with Condition 5(c)]
- (a) Minimum Residual Call Early Redemption Amount: [Not Applicable/[ ] per Calculation Amount]
- (b) Maximum Residual Call Early Redemption Amount: [Not Applicable/[ ] per Calculation Amount]
- (ii) Notice period (if other than as set out in Terms and Conditions): [ ]
20. Make-Whole Redemption by the Issuer [Applicable/Not Applicable]
- (i) Make-Whole Redemption Margin: [[ ] basis points/Not Applicable]



- (ii) Reference Bond: [CA Selected Bond/[ ]]  
*(If a First Par Call Date is specified below, the Reference Bond should most closely mature on the First Par Call Date rather than the Maturity Date)*
- (iii) Quotation Time [[5.00 p.m. [Brussels/London/[ ]]] time/Not Applicable]
- (iv) Reference Rate Determination Date: The [ ] Business Day preceding the relevant Make-Whole Redemption Date
- (v) Day Count Fraction: [•]
- (vi) First Par Call Date: [•]/[Not Applicable]
- (vii) Canada Yield Price: [Applicable/Not Applicable]
- (viii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Higher Redemption Amount: [ ]
- (ix) Notice period (if other than as set out in Terms and Conditions): [ ]
21. Issuer Maturity Call [Applicable/Not Applicable]
- (i) Notice period (if other than as set out in the Terms and Conditions): [ ]
22. Investor Put: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount: [ ] per Calculation Amount[, adjusted in accordance with Condition 5(c)]
- (a) Minimum Optional Redemption Amount: [Not Applicable/[ ] per Calculation Amount]
- (b) Maximum Optional Redemption Amount: [Not Applicable/[ ] per Calculation Amount]
- (iii) Notice period (if other than as set out in the Terms and Conditions): [ ]
23. Final Redemption Amount [[ ] per Calculation Amount][, adjusted in accordance with Condition 5(c)]
- (a) Minimum Final Redemption Amount: [Not Applicable/[ ] per Calculation Amount]

- (b) Maximum Final Redemption Amount: [Not Applicable/[ ] per Calculation Amount]
24. Early Redemption Amount Payable on redemption for taxation reasons or on event of default or (if applicable) upon an Indexation Redemption Event: [ ] per Calculation Amount[, adjusted in accordance with Condition 5(c)]
- (a) Minimum Early Redemption Amount: [Not Applicable/[ ] per Calculation Amount]
- (b) Maximum Early Redemption Amount: [Not Applicable/[ ] per Calculation Amount]
25. Put Event: [Applicable/Not Applicable]
- (a) Event Put Amount: [ ] per Calculation Amount [, adjusted in accordance with Condition 5(c)]
- (b) Minimum Event Put Amount: [Not Applicable/[ ] per Calculation Amount]
- (c) Maximum Event Put Amount: [Not Applicable/[ ] per Calculation Amount]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

26. (i) Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on not less than 60 days' notice given at any time/only upon an Exchange Event]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes [on not less than 60 days' notice given at any time/only upon an Exchange Event]]
- (ii) New Global Note: [Yes][No]
27. Additional Financial Centre(s): [Not Applicable/[ ]]
28. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [No][Yes, as the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made]

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor:

By: .....

By: .....

Duly authorised

Duly authorised]

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

[[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's main market and for listing on the Official List of the FCA with effect from [ ] [*insert any relevant green or sustainable bond segment*]] / [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's main market and for listing on the Official List of the FCA with effect from [ ] [*insert any relevant green or sustainable bond segment*]]

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [Moody's Investors Service Limited] [and] [S&P Global Ratings UK Limited] [and] [Fitch Ratings Ltd].]

[According to [ ] as published by Moody's Investors Service Limited, a rating by Moody's Investors Service Limited of [ ] indicates [ ]. According to [ ] as published by [S&P Global Ratings UK Limited], a rating by S&P Global Ratings UK Limited of [ ] indicates [ ].] According to [ ] as published by [Fitch Ratings Ltd], a rating by [Fitch Ratings Ltd] of [ ] indicates [ ].]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save as described in "Subscription and Sale" and for any fees payable to the [Managers/Dealers], so far as the Issuer [and the Guarantor] is aware, no person involved in the issue of the Notes has an interest material to the offer.] The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business [So far as the Issuer is aware, the following persons have an interest material to the issue/offer: [ ]]

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer [ ] / [The Notes are intended to be issued as Sustainable Notes, [further particulars to be provided].]
- (ii) Estimated net proceeds: [ ]

### 5. YIELD

Indication of yield: The yield in respect of this issue of Fixed Rate Notes is [ ].

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 6. [FLOATING RATE NOTES CALCULATED BY REFERENCE TO A BENCHMARK ONLY]

[Amounts payable under the Notes will be calculated by reference to [*specify benchmark* (as this term is defined in Regulation (EU) 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**"))] which is provided by [*legal name of the benchmark administrator*]. As at the date of this Final Terms, [*legal name of the benchmark administrator*] [appears/does not appear] on the register of administrators and benchmarks established and

maintained by the Financial Conduct Authority pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation.

[As far as the Issuer is aware, [*legal name of the benchmark administrator*], as administrator of [*specify benchmark*] is not required to be registered by virtue of Article 2 of the UK Benchmarks Regulation, such that [*legal name of the benchmark administrator*] is not currently required to obtain authorisation or registration (or, if located outside the United Kingdom, recognition, endorsement or equivalence).]

**7. [INDEX-LINKED NOTES ONLY]—PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING**

- (i) Name of underlying index: [UK Retail Prices Index (RPI)/UK Consumer Prices Index (CPI)/UK Consumer Prices Index including owner occupier's housing costs (CPIH)]
- (ii) Information about the index, its volatility and past and future performance can be obtained from: [More information on [RPI/CPI/CPIH / comparable index which may replace RPI/CPI/CPIH] including past and current performance and its volatility and fall back provisions in the event of a disruption in the publication of [RPI/CPI/CPIH], can be found at [www.ONS.gov.uk / relevant replacing website]]

**8. OPERATIONAL INFORMATION**

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) CFI: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (iv) FISN: [[See/[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (v) Name(s) and address(es) of any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A., and the relevant identification number(s): [Not Applicable/ [ ]]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional or alternative Paying Agent(s) (if any): [ ]

- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes 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 Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes 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.]
- (ix) U.S. Selling Restrictions: [Reg. S Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
- (x) Prohibition of Sales to Belgian Consumers [Applicable/Not Applicable]  
*(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)*
- (xi) If syndicated, names of Managers [Not Applicable][*give names*]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the London Stock Exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes will complete the following Terms and Conditions for the purpose of such Notes, including specifying whether or not certain provisions of the following Terms and Conditions apply to such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.*

This Note is one of a Series (as defined below) of Notes issued by Severn Trent Plc ("**Severn Trent**") or Severn Trent Utilities Finance Plc ("**STUF**" and, together with Severn Trent, the "**Issuers**" and each an "**Issuer**") constituted by a Trust Deed dated 18 December 2000 (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") and made between the Issuers, Severn Trent Water Limited ("**STWL**" or the "**Guarantor**") in its capacity as guarantor of Notes issued by STUF and The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**", which expression shall include any successor trustee) for the holders of the Notes (the "**Noteholders**" or "**holders**" which expression shall mean in relation to Notes in definitive form, the bearers thereof, and shall, in relation to Notes represented by a Global Note, be construed as provided below).

References in these Terms and Conditions to the "Issuer" shall be to the Issuer of the relevant Notes specified as such in the applicable Final Terms (as defined below). References in these Terms and Conditions to the "Guarantor" shall only be applicable if STUF is specified as the Issuer of the Notes in the applicable Final Terms.

References in these Terms and Conditions to the "Notes" shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

References in these Terms and Conditions to "Specified Denomination(s)" shall mean in relation to any Series of Notes, the denomination or denominations specified as such in the relevant Final Terms which shall be not less than €100,000 or its equivalent in the currency in which the Notes are denominated as at the date of the relevant Final Terms. The Notes and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated 27 July 2022 (such agency agreement as further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the relevant Issuer(s), the Guarantor and HSBC Bank plc as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent), the Trustee and the other paying agents named therein (together with the Agent, unless the context otherwise requires, the "**Paying Agents**", which expression shall include any additional or successor paying agents). References in these Terms and Conditions to the "Agency Agreement" shall be to the agreement to which the Issuer, as specified in the applicable Final Terms, is party in its capacity as an Issuer.

Interest bearing definitive Notes have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the "**Terms and Conditions**"). References in these Terms and Conditions to the "applicable Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference in these Terms and Conditions to "Couponholders" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used in these Terms and Conditions, "Tranche" means Notes which are identical in all respects (including as to listing) and "Series" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including, if applicable, as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are (i) available for inspection or collection during normal business hours at the registered office of the Trustee (being at 26 July 2023 at Eighth Floor, 100 Bishopsgate, London EC2N 4AG) and at the specified office of each of the Paying Agents or (ii) may be provided by email to a Noteholder following their prior written request to the Trustee or any Paying Agents and provision of proof of holding and identity (in a form satisfactory to the Trustee or the relevant Paying Agent, as the case may be). Copies of the applicable Final Terms are available for viewing and obtainable during normal business hours at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are deemed to have notice of, are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index-Linked Redemption Note, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Guarantor, the Trustee and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor, the Trustee and the Paying Agents as the holder of such

nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error be conclusive and binding on all concerned. Notes which are represented by a Global Note 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 Agent and the Trustee.

## **2. Status of the Notes and the Guarantee**

### *(a) Status of the Notes*

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

### *(b) Status of the Guarantee*

The payment of principal and interest (if any) in respect of the Notes issued by STUF and all other moneys payable by STUF under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the "**Guarantee**"). The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantor and (subject as aforesaid and save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

## **3. Negative Pledge**

- (a) So long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist any mortgage, charge, lien (other than a lien arising solely by operation of law) or other encumbrance (each a "**Security Interest**") upon the whole or any part of its undertaking or assets, present or future, to secure payment of any present or future Relevant Indebtedness or to secure any guarantee or indemnity in respect of any present or future Relevant Indebtedness, without at the same time according to the Notes, to the satisfaction of the Trustee, the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or such other arrangement (whether or not it includes the creation of a Security Interest) as the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.
- (b) So long as any of the Notes remains outstanding, the Guarantor will not create or permit to subsist any Security Interest upon the whole or any part of its undertaking or assets, present or future, to secure payment of any present or future Relevant Indebtedness or to secure any guarantee or indemnity in respect of any present or future Relevant Indebtedness, without at the same time according to its obligations under the Guarantee, to the satisfaction of the Trustee, the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or such other arrangement (whether or not it includes the creation of a Security Interest) as the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution of the Noteholders.



(c) In these Terms and Conditions:

**"Excluded Subsidiary"** means Severn Trent Services International (Overseas Holdings) Limited, Severn Trent Services Operations UK Limited, Severn Trent Services Defence Limited and Severn Trent Services Defence Holdings Limited and any other Subsidiary of (x) if the Issuer is Severn Trent, the Issuer; or (y) if the Issuer is STUF, the Guarantor (but excluding STUF): (a) which is a single purpose company whose principal assets and business are constituted by a project, (b) none of whose liabilities in respect of the financing of such project are directly or indirectly the subject of security or a guarantee, indemnity or any other form of assurance, undertaking or support from any member of the Group other than such Subsidiary or another Excluded Subsidiary and (c) which has been designated as such by the Issuer by written notice to the Trustee; provided that the Issuer may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary;

**"Group"** means, (x) if the Issuer is Severn Trent, the Issuer and its Subsidiary Undertakings and (y) if the Issuer is STUF, the Guarantor and its Subsidiary Undertakings and "member of the Group" shall be construed accordingly;

**"Project Finance Indebtedness"** means any present or future indebtedness incurred to finance the ownership, acquisition, development and/or operation of an asset, whether or not an asset of a member of the Group:

- (i) which is incurred by an Excluded Subsidiary; or
- (ii) in respect of which the person or persons to whom any such indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof other than:
  - (A) recourse for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset; or
  - (B) recourse for the purpose only of enabling amounts to be claimed in respect of such indebtedness in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such indebtedness, provided that (A) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement, and (B) such person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness, to commence proceedings for the winding up or dissolution of any member of the Group (other than an Excluded Subsidiary) or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of any member of the Group (other than an Excluded Subsidiary) or any of its assets (save for the assets the subject of such encumbrance); and/or
  - (C) recourse under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or to procure compliance by another with financial ratios or other tests of financial condition);

**"Relevant Indebtedness"** means any indebtedness (other than Project Finance Indebtedness), which is in the form of, or represented or evidenced by, bonds, notes, loan stock or other securities which are quoted, listed, dealt in or traded on a stock exchange, or over the counter or other recognised securities market;

**"Subsidiary"** means a subsidiary within the meaning of section 1159 of the Companies Act 2006; and

**"Subsidiary Undertaking"** means a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006.

#### 4. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (but excluding) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Terms and Conditions, **"Fixed Interest Period"** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction. The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount to the Calculation Amount in the case of Fixed Rate Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is greater than the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the amount (determined in the manner provided above) calculated in respect of the Calculation Amount multiplied by a fraction, the numerator of which is the Specified Denomination of such Fixed Rate Note in question and the denominator of which is the Calculation Amount, without any further rounding.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if **"Actual/Actual (ICMA)"** is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (the **"Accrual Period"**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (iii) if "**Actual/Actual Canadian Compound Method**" is specified in the applicable Final Terms, in respect of any regular semi-annual interest payments, such interest will be calculated on the basis of 30/360 and whenever it is necessary to compute any amount of accrued interest in respect of the Notes for a period of less than one full year, other than in respect of any regular semi-annual interest payments, such interest will be calculated on the basis of the actual number of days in the Calculation Period (as defined below) and a year of 365 days.

In these Terms and Conditions:

**"Determination Period"** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**"sub-unit"** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **"Interest Payment Date"**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period or, if applicable, other Interest Accrual Period (each as defined below).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any

Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "**Business Day**" means a day which is:

- I. a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre (other than T2) specified in the applicable Final Terms;
- II. if T2 is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System (or any successor thereto or replacement thereof) ("**T2** ") is open; and
- III. either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which T2 is open.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

*(A) Screen Rate Determination for Floating Rate Notes*

This Condition 4(b)(ii)(A) applies where the applicable Final Terms specifies both “*Screen Rate Determination*” and “*Term Rate*” to be ‘Applicable’.

(1) The Rate of Interest for each Interest Accrual Period will, subject to Condition 4(b)(xi) and as provided below, be either:

I. the offered quotation (if there is only one quotation on the Relevant Screen Page); or

II. the arithmetic mean (rounded upwards if necessary to the nearest 0.0001 per cent.) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) at the Specified Time in the Relevant Financial Centre on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(2) If the Relevant Screen Page is not available or if sub-paragraph (1)I above applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (1)II above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, the Calculation Agent shall, if applicable, request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate as at approximately 11.00 a.m. (Brussels time, if the Reference Rate is EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations (excluding, if four or more of the Reference Banks provide the Calculation Agent with such quotations and the offered quotations of all such Reference Banks are not the same, the highest and lowest quotations and, if the highest quotation and/or the lowest quotation applies in respect of more than one such Reference Bank, excluding such highest and/or lowest quotation in respect of one such Reference Bank) plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

(3) If on any Interest Determination Date only one or none of the Reference Banks provides the Calculation Agent with such an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being either:

- I. the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, which such banks were offered, at approximately 11.00 a.m. (Brussels time, if the Reference Rate is EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the relevant Interest Determination Date (or if such date is not a Business Day, on the immediately preceding Business Day), deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or otherwise the inter-bank market of the Relevant Financial Centre for the relevant Reference Rate, in each case plus or minus (as indicated in the applicable Final Terms) the Margin (if any); or
- II. in the event that the Calculation Agent can determine no such arithmetic mean, the lowest lending rate for lending amounts in the Specified Currency for a period equal to that which would have been used for the Reference Rate at which at approximately 11.00 a.m. (Brussels time, if the Reference Rate is EURIBOR) or (if otherwise specified) the Specified Time in the Relevant Financial Centre (each as indicated in the applicable Final Terms) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or otherwise the inter-bank market of the Relevant Financial Centre, in each case plus or minus (as indicated in the applicable Final Terms) the Margin (if any),

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be:

- I. that determined as at the last preceding Interest Determination Date on which the Rate of Interest was so determined (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Maximum Rate of Interest and/or Minimum

Rate of Interest (as the case may be) relating to the relevant Interest Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Period) or;

- II. if there is no such preceding Interest Determination Date, the initial Rate of Interest (but substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is/are to be applied to the relevant Interest Period from that which applied to the initial Interest Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that initial Interest Period) or, in the case of Notes with an Interest Basis that converts from a Fixed Rate to a Floating Rate, the Fixed Rate of Interest applicable to such Notes immediately prior to conversion of the Interest Basis.

**"Reference Banks"** means, in the context of Condition 4(b)(ii)(A)(1)I, those banks whose offered rates were used to determine the offered quotation referred to in such Condition when such offered quotation last appeared on the Relevant Screen Page and, in the context of Condition 4(b)(ii)(A)(1)II, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared.

**(B) Screen Rate Determination – Overnight Rate - Compounded Daily SONIA - Non-Index Determination**

This Condition 4(b)(ii)(B) applies where the applicable Final Terms specifies: (1) "Screen Rate Determination" and "Overnight Rate" to be 'Applicable'; (2) "Compounded Daily SONIA" as the Reference Rate; and (3) "Index Determination" to be 'Not Applicable'.

- (4) The Rate of Interest for an Interest Accrual Period will, subject to Condition 4(b)(xi) and as provided below, be Compounded Daily SONIA with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

**"Compounded Daily SONIA"** means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) as calculated by the Calculation Agent 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):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SONIA_i \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

"**d**" is the number of calendar days in:

- I. where "Lag" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- II. where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

"**D**" is the number specified as such in the applicable Final Terms (or, if no such number is specified, 365);

"**d<sub>o</sub>**" means:

- I. where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days in the relevant Interest Accrual Period; or
- II. where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days in the relevant Observation Period;

"**i**" is a series of whole numbers from one to "**d<sub>o</sub>**", each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in:

- I. where "Lag" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- II. where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

"**London Banking Day**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**n<sub>i</sub>**" 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 Period**" means the period from (and including) the date falling "**p**" London Banking Days prior to the first day of the relevant Interest Accrual



Period to (but excluding) the date falling “*p*” London Banking Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

“*p*” means:

- I. where “Lag” is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days specified as the “Lag Period” in the applicable Final Terms (or, if no such number is so specified, five London Banking Days); or
- II. where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the number of London Banking Days specified as the “Observation Shift Period” in the applicable Final Terms (or, if no such number is specified, five London Banking Days);

the “**SONIA reference rate**”, in respect of any London Banking Day (“**LBD<sub>x</sub>**”), is a reference rate equal to the daily Sterling Overnight Index Average (“**SONIA**”) rate for such LBD<sub>x</sub> 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 LBD<sub>x</sub>; and

“**SONIA<sub>*t*</sub>**” means the SONIA reference rate for:

- I. where “Lag” is specified as the Observation Method in the applicable Final Terms, the London Banking Day falling “*p*” London Banking Days prior to the relevant London Banking Day “*T*”; or
- II. where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant London Banking Day “*T*”.

- (2) Subject to Condition 4(b)(xi), if, where any Rate of Interest is to be calculated pursuant to Condition 4(b)(ii)(B)(1) above, in respect of any London Banking Day on which an applicable SONIA reference rate is required to be determined, such SONIA reference rate is not made available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, then the SONIA reference rate in respect of such London Banking Day shall be the rate determined by the Calculation Agent as:

- I. the sum of (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5.00 p.m. (London time) (or, if earlier, close of business) on such London Banking Day; and (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days in respect of 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); or
- II. if the Bank Rate under paragraph I(i) above is not available at the relevant time, either (A) 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 in respect of which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) or (B) if this is more recent, the latest rate determined under paragraph I above,

and, in each case, references to "SONIA reference rate" in Condition 4(b)(ii)(B)(1) above shall be construed accordingly.

- (3) In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4(b)(ii)(B), and without prejudice to Condition 4(b)(xi), the Rate of Interest shall be:

- I. that determined as at the last preceding Interest Determination Date on which the Rate of Interest was so determined (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Accrual Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Accrual Period); or
- II. if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period),

in each case as determined by the Calculation Agent.

(C) *Screen Rate Determination – Overnight Rate - Compounded Daily SONIA - Index Determination*

This Condition 4(b)(ii)(C) applies where the applicable Final Terms specifies: (1) “*Screen Rate Determination*” and “*Overnight Rate*” to be ‘Applicable’; (2) “*Compounded Daily SONIA*” as the Reference Rate; and (3) “*Index Determination*” to be ‘Applicable’.

- (1) The Rate of Interest for an Interest Accrual Period will, subject to Condition 4(b)(xi) and as provided below, be the Compounded Daily SONIA Rate with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

**"Compounded Daily SONIA Rate"** means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) (expressed as a percentage and rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent by reference to the screen rate or index for compounded daily SONIA rates administered by the administrator of the SONIA reference rate that is published or displayed on the Relevant Screen Page specified in the applicable Final Terms or, if no such page is so specified or if such page is unavailable at the relevant time, as otherwise published or displayed by such administrator or other information service from time to time on the relevant Interest Determination Date (the "**SONIA Compounded Index**"), and in accordance with the following formula:

$$\text{Compounded Daily SONIA Rate} = \left( \frac{\text{SONIA Compounded Index}_{\text{End}}}{\text{SONIA Compounded Index}_{\text{Start}}} - 1 \right) \times \frac{365}{d}$$

where:

"**d**" is the number of calendar days from (and including) the day in relation to which SONIA Compounded Index<sub>Start</sub> is determined to (but excluding) the day in relation to which SONIA Compounded Index<sub>End</sub> is determined;

**"London Banking Day"** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

**"Relevant Number"** is the number specified as such in the applicable Final Terms (or, if no such number is specified, five);

**"SONIA Compounded Index<sub>Start</sub>"** means, with respect to an Interest Accrual Period, the SONIA Compounded Index determined in relation to the day falling the Relevant Number of London Banking Days prior to the first day of such Interest Accrual Period; and

**"SONIA Compounded Index<sub>End</sub>"** means, with respect to an Interest Accrual Period, the SONIA Compounded Index

determined in relation to the day falling the Relevant Number of London Banking Days prior to (A) the Interest Payment Date for such Interest Accrual Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Accrual Period).

- (2) If the relevant SONIA Compounded Index is not published or displayed by the administrator of the SONIA reference rate or other information service by 5.00 p.m. (London time) (or, if later, by the time falling one hour after the customary or scheduled time for publication thereof in accordance with the then-prevailing operational procedures of the administrator of the SONIA reference rate or of such other information service, as the case may be) on the relevant Interest Determination Date, the Compounded Daily SONIA Rate for the applicable Interest Accrual Period for which the SONIA Compounded Index is not available shall be "Compounded Daily SONIA" determined in accordance with Condition 4(b)(ii)(B) above as if "*Index Determination*" were specified in the applicable Final Terms as being 'Not Applicable', and for these purposes: (i) the "*Observation Method*" shall be deemed to be "*Observation Shift*" and (ii) the "*Observation Shift Period*" shall be deemed to be equal to the Relevant Number of London Banking Days, as if those alternative elections had been made in the applicable Final Terms.

*(D) Screen Rate Determination – Overnight Rate – SOFR – Non-Index Determination*

This Condition 4(b)(ii)(D) applies where the applicable Final Terms specifies: (1) "*Screen Rate Determination*" and "*Overnight Rate*" to be 'Applicable'; (2) either "*Compounded Daily SOFR*" or "*Weighted Average SOFR*" as the Reference Rate; and (3) "*Index Determination*" to be 'Not Applicable'.

Where the applicable Final Terms specifies the Reference Rate to be "*Compounded Daily SOFR*", the provisions of paragraph (1) below of this Condition 4(b)(ii)(D) apply.

Where the applicable Final Terms specifies the Reference Rate to be "*Weighted Average SOFR*", the provisions of paragraph (2) below of this Condition 4(b)(ii)(D) apply.

*(1) Compounded Daily SOFR*

Where this paragraph (1) applies, the Rate of Interest for an Interest Accrual Period will, subject to Condition 4(b)(xi) and as provided below, be Compounded Daily SOFR with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

**"Compounded Daily SOFR"** means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment (with the daily U.S. dollars secured overnight financing rate as reference rate for the calculation of interest) as calculated by the Calculation Agent 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):

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SOFR_i \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

**"d"** is the number of calendar days in:

- I. where "Lag" or "Lock-out" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- II. where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

**"D"** is the number specified as such in the applicable Final Terms (or, if no such number is specified, 360);

**"d<sub>o</sub>"** means:

- I. where "Lag" or "Lock-out" is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period; or
- II. where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days in the relevant Observation Period;

**"i"** is a series of whole numbers from one to "d<sub>o</sub>", 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" or "Lock-out" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Accrual Period; or
- II. where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the relevant Observation Period;

**"Lock-out Period"** means the period from (and including) the day following the Interest Determination Date to (but excluding) the corresponding Interest Payment Date;

**"New York Fed's Website"** means the website of the Federal Reserve Bank of New York (or a successor administrator of SOFR) or any successor source;

"*n<sub>i</sub>*" 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 the period from (and including) the date falling "*p*" U.S. Government Securities Business Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling "*p*" U.S. Government Securities Business Days prior to (A) (in the case of an Interest Period) the Interest Payment Date for such Interest Period or (B) (in the case of any other Interest Accrual Period) the date on which the relevant payment of interest falls due;

"*p*" means:

- I. where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days specified as the "Lag Period" in the applicable Final Terms (or, if no such number is so specified, five U.S. Government Securities Business Days);
- II. where "Lock-out" is specified as the Observation Method in the applicable Final Terms, zero U.S. Government Securities Business Days; or
- III. where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, the number of U.S. Government Securities Business Days specified as the "Observation Shift Period" in the applicable Final Terms (or, if no such number is specified, five U.S. Government Securities Business Days);

"**Reference Day**" means each U.S. Government Securities Business Day in the relevant Interest Accrual Period, other than any U.S. Government Securities Business Day in the Lock-out Period;

"**SOFR**" in respect of any U.S. Government Securities Business Day ("**USBD<sub>x</sub>**"), is a reference rate equal to the daily secured overnight financing rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Fed's Website, in each case at or around 3.00 p.m. (New York City time) on the U.S. Government Securities Business Day immediately following such USBD<sub>x</sub>;

"**SOFR**," means the SOFR for:

- i. where "Lag" is specified as the Observation Method in the applicable Final Terms, 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 “Lock-out” is specified as the Observation Method in the applicable Final Terms:
  - I. in respect of each U.S. Government Securities Business Day “T” that is a Reference Day, the SOFR in respect of the U.S. Government Securities Business Day immediately preceding such Reference Day; or
  - II. in respect of each U.S. Government Securities Business Day “T” that is not a Reference Day (being a U.S. Government Securities Business Day in the Lock-out Period), the SOFR in respect of the U.S. Government Securities Business Day immediately preceding the last Reference Day of the relevant Interest Accrual Period (such last Reference Day coinciding with the Interest Determination Date); or
- iii. where “Observation Shift” is specified as the Observation Method in the applicable Final Terms, the relevant U.S. Government Securities Business Day “T”; and

**“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.

(2) *Weighted Average SOFR*

Where this paragraph (2) applies, the Rate of Interest for an Interest Accrual Period will, subject to Condition 4(b)(xi) and as provided below, be the Weighted Average SOFR with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as calculated by the Calculation Agent on the Interest Determination Date (and rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards), where:

**“Weighted Average SOFR”** means:

- I. where “Lag” is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the SOFR in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant SOFR by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes, the SOFR in effect for any calendar day which is not a U.S. Government Securities Business Day shall be deemed to be the SOFR in effect for the U.S. Government Securities Business Day immediately preceding such calendar day; and

- II. where “Lock-out” is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the SOFR in effect for each calendar day during the relevant Interest Accrual Period, calculated by multiplying each relevant SOFR by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Accrual Period, *provided* however that for any calendar day of such Interest Accrual Period falling in the Lock-out Period, the relevant SOFR for each day during that Lock-out Period will be deemed to be the SOFR in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes, the SOFR in effect for any calendar day which is not a U.S. Government Securities Business Day shall, subject to the proviso above, be deemed to be the SOFR in effect for the U.S. Government Securities Business Day immediately preceding such calendar day.

Defined terms used in this paragraph (2) and not otherwise defined herein have the meanings given to them in paragraph (1) above of this Condition 4(b)(ii)(D).

(3) *SOFR Unavailable*

Subject to Condition 4(b)(xi), if, where any Rate of Interest is to be calculated pursuant to this Condition 4(b)(ii)(D), in respect of any U.S. Government Securities Business Day in respect of which an applicable SOFR is required to be determined, such SOFR is not available, such SOFR shall be the SOFR for the first preceding U.S. Government Securities Business Day in respect of which the SOFR was published on the New York Fed’s Website.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions of this Condition 4(b)(ii)(D), and without prejudice to Condition 4(b)(xi), the Rate of Interest shall be calculated in accordance, *mutatis mutandis*, with the provisions of Condition 4(b)(ii)(B)(3).

(E) *Screen Rate Determination – Overnight Rate - SOFR - Index Determination*

This Condition 4(b)(ii)(E) applies where the applicable Final Terms specifies: (1) “*Screen Rate Determination*” and “*Overnight Rate*” to be ‘Applicable’; (2) “*Compounded Daily SOFR*” as the Reference Rate; and (2) “*Index Determination*” to be ‘Applicable’.

- (1) The Rate of Interest for an Interest Accrual Period will, subject to Condition 4(b)(xi) and as provided below, be the Compounded SOFR with respect to such Interest Accrual Period plus or minus (as indicated in the applicable Final Terms) the applicable Margin (if any), all as determined by the Calculation Agent.

**“Compounded SOFR”** means, with respect to an Interest Accrual Period, the rate (expressed as a percentage and



rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) determined by the Calculation Agent in accordance with the following formula:

$$\left( \frac{SOFRIndex_{End}}{SOFRIndex_{Start}} - 1 \right) \times \frac{360}{d_c}$$

where:

" $d_c$ " is the number of calendar days from (and including) the day in relation to which  $SOFR Index_{Start}$  is determined to (but excluding) the day in relation to which  $SOFR Index_{End}$  is determined;

"**Relevant Number**" is the number specified as such in the applicable Final Terms (or, if no such number is specified, five);

"**SOFR**" means the daily secured overnight financing rate as provided by the SOFR Administrator on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of SOFR);

"**SOFR Administrator's Website**" means the website of the SOFR Administrator, or any successor source;

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means the SOFR index value as published by the SOFR Administrator as such index appears on the SOFR Administrator's Website at or around 3.00 p.m. (New York time) on such U.S. Government Securities Business Day (the "**SOFR Determination Time**");

"**SOFR Index<sub>Start</sub>**", with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding the first day of such Interest Accrual Period;

"**SOFR Index<sub>End</sub>**", with respect to an Interest Accrual Period, is the SOFR Index value for the day which is the Relevant Number of U.S. Government Securities Business Days preceding (A) the Interest Payment Date for such Interest Accrual Period, or (B) such other date on which the relevant payment of interest falls due (but which by its definition or the operation of the relevant provisions is excluded from such Interest Accrual Period); and

"**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.

If, as at any relevant SOFR Determination Time, the relevant SOFR Index is not published or displayed on the SOFR Administrator's Website by the SOFR Administrator, the Compounded SOFR for the applicable Interest Accrual Period for which the relevant SOFR Index is not available shall be "Compounded Daily SOFR" determined in

accordance with Condition 4(b)(ii)(D) above as if “*Index Determination*” were specified in the applicable Final Terms as being ‘Not Applicable’, and for these purposes: (i) the “*Observation Method*” shall be deemed to be “*Observation Shift*” and (ii) the “*Observation Shift Period*” shall be deemed to be equal to the Relevant Number of U.S. Government Securities Business Days, as if such alternative elections had been made in the applicable Final Terms.

(iii) Interest Period and Interest Accrual Period

In these Terms and Conditions:

- (A) “**Interest Period**” means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date; and
- (B) “**Interest Accrual Period**” means (i) each Interest Period and (ii) any other period (if any) in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the Notes become due and payable in accordance with Condition 10, shall be the date on which the Notes become due and payable).

(iv) Determination of Rate of Interest following acceleration

If the Notes become due and payable in accordance with Condition 10, then:

- (A) if the applicable Final Terms specifies “Screen Rate Determination” and “Overnight Rate” to be ‘Applicable’, the final Rate of Interest shall be calculated for the Interest Accrual Period to (but excluding) the date on which the Notes become so due and payable; and
- (B) in all other cases, the Rate of Interest applicable to the Notes from time to time shall continue to be calculated in accordance with Clause 2.4(b) of the Trust Deed,

and (in each case) the applicable Rate(s) of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon.

(v) Minimum Rate of Interest and Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period (or any Interest Accrual Period falling within such Interest Period), then, in the event that the Rate of Interest in respect of such Interest Period (or such other Interest Accrual Period falling within such Interest Period) determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period (or such Interest Accrual Period falling within such Interest Period) shall be equal to such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period (or any Interest Accrual Period falling within such Interest Period), then, in the event that the Rate of Interest in respect of such Interest Period (or such other Interest Accrual Period falling within such Interest Period) determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period (or such Interest Accrual Period falling within such Interest Period) shall be such Maximum Rate of Interest.

(vi) Determination of Rate of Interest and calculation of Interest Amounts

The Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period (or other Interest Accrual Period).

The Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes for the relevant Interest Period (or other Interest Accrual Period) by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is greater than the Calculation Amount, the Interest Amount payable in respect of such Note shall be the amount (determined in the manner provided above) calculated in respect of the Calculation Amount multiplied by a fraction, the numerator of which is the Specified Denomination of the Note in question and the denominator of which is the Calculation Amount, without any further rounding.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest for any period of time (whether or not constituting an Interest Period or an Interest Accrual Period) (the "**Calculation Period**"):

- (A) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (B) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms, the provisions of Condition 4(a)(i) shall apply;
- (C) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;
- (D) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (E) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;
- (F) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

- (vii) Linear Interpolation

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period

shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate, one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period, provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**"Designated Maturity"** means the period of time designated in the Reference Rate.

(viii) Notification of Rate of Interest and Interest Amounts

- (A) Except where the applicable Final Terms specifies both "Screen Rate Determination" and "Overnight Rate" to be 'Applicable', the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and the Agent, and the Agent will cause the same to be notified to any listing authority, stock exchange and/or quotation system to which the Floating Rate Notes have then been admitted to listing, trading and/or quotation and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each listing authority, stock exchange and/or quotation system to which the Floating Rate Notes have then been admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.
- (B) Where the applicable Final Terms specifies both "Screen Rate Determination" and "Overnight Rate" to be 'Applicable', the Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Accrual Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and the Agent, and the Agent will cause the same to be notified to any listing authority, stock exchange and/or quotation system to which the Floating Rate Notes have then been admitted to listing, trading and/or quotation and to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the second Business Day thereafter. Each Rate of Interest, Interest Amount and Interest Payment Date so notified 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 relevant Interest Accrual Period. Any such amendment or alternative arrangements will promptly be notified to each listing authority, stock exchange and/or quotation system to which the Floating Rate Notes have then been admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 14.

(ix) Determination or Calculation by Replacement Calculation Agent

If for any reason at any relevant time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (viii)(A) or (viii)(B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) and (v) above, the Issuer shall promptly appoint, at its own expense, a replacement calculation agent (which shall be an investment bank or other suitable entity of recognised standing and having appropriate expertise) to determine the relevant Rate of Interest and Interest Amount (as applicable) and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(x) 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 this Condition 4(b), whether by the Agent, the Calculation Agent or, if applicable, any replacement calculation agent appointed under Condition 4(b)(ix), shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the Trustee, the Calculation Agent (if applicable), any replacement calculation agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent or replacement calculation agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(xi) Benchmark Discontinuation

This Condition 4(b)(xi) applies in respect of each issue of Floating Rate Notes unless "*Benchmark Discontinuation*" is specified in the applicable Final Terms to be 'Not Applicable'.

If the applicable Final Terms specifies "*Benchmark Replacement*" to be 'Applicable', the provisions of Condition 4(b)(xi)(A) apply, together with the other provisions of this Condition 4(b)(xi) (other than Condition 4(b)(xi)(B)).

If the applicable Final Terms specifies "*Benchmark Transition*" to be 'Applicable', the provisions of Condition 4(b)(xi) (B) apply, together with the other provisions of this Condition 4(b)(xi) (other than Condition 4(b)(xi)(A)).

(A) *Benchmark Replacement*

If the Issuer determines that a Benchmark Event occurs in relation to an Original Reference Rate at any time when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

(1) Independent Adviser

The Issuer shall use reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4(b)(xi)(A)(2)) and, in either case, the applicable

Adjustment Spread (in accordance with Condition 4(b)(xi)(A)(3)) and any Benchmark Amendments (in accordance with Condition 4(b)(xi)(A)(4)).

If, notwithstanding the Issuer's reasonable endeavours, the Issuer is unable to appoint and consult with an Independent Adviser in accordance with the foregoing paragraph, the Issuer shall nevertheless be entitled, acting in good faith and in a commercially reasonable manner, to make any and all determinations expressed to be made by the Issuer pursuant to this Condition 4(b)(xi)(A), notwithstanding that such determinations are not made following consultation with an Independent Adviser. If, however, the Issuer is unable to determine a Successor Rate or an Alternative Rate and (in either case) the applicable Adjustment Spread and any Benchmark Amendments in accordance with this Condition 4(b)(xi)(A), the provisions of Condition 4(b)(xi)(F) below shall apply.

(2) Successor Rate or Alternative Rate

If the Issuer, following consultation with such Independent Adviser (if appointed), determines in good faith that:

- I. there is a Successor Rate, then such Successor Rate shall (as adjusted by the applicable Adjustment Spread determined as provided in Condition 4(b)(xi)(A)(3)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 4(b)(xi)); or
- II. there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (as adjusted by the applicable Adjustment Spread determined as provided in Condition 4(b)(xi)(A)(3)) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 4(b)(xi)).

(3) Adjustment Spread

If a Successor Rate or Alternative Rate is determined in accordance with the foregoing provisions, the Issuer, following consultation with the Independent Adviser (if appointed), will determine in good faith the Adjustment Spread to be applied to such Successor Rate or Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(4) Benchmark Amendments

If any Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread is determined in accordance with this Condition 4(b)(xi) and the Issuer, following consultation with the Independent Adviser (if appointed), determines in good faith (A) that amendments to the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement (including, without limitation, amendments to the definitions of Day Count Fraction, Business Days, or Relevant Screen Page) are necessary to ensure the proper operation (having regard to prevailing market practice, if any) of such Successor Rate, Alternative Rate and (in either case) the applicable 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 4(b)(xi)(C), without any requirement for the consent or approval of Noteholders or Couponholders, vary the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 4(b)(xi)(C), the Trustee shall (at the Issuer's expense), without any requirement for the consent or approval of the Noteholders or Couponholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed or agreement supplemental to or amending the Trust Deed and/or the Agency Agreement (as applicable)) and the Trustee shall not be liable to any party for any consequences thereof, provided that the Trustee shall not be obliged so to concur if in the sole opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Trustee in the Terms and Conditions of the Notes, the Trust Deed and/or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed and/or agency agreement) in any way.

In connection with any such variation in accordance with this Condition 4(b)(xi), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

#### (5) Definitions

As used in this Condition 4(b)(xi)(A):

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

- I. in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the



Original Reference Rate with the Successor Rate by any Relevant Nominating Body;

- II. in the case of an Alternative Rate (or in the case of a Successor Rate where (I) above does not apply), the Issuer, following consultation with the Independent Adviser (if appointed) and acting in good faith, determines is in customary market usage (or reflects an industry-accepted rate, formula or methodology) in the international debt capital market for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate (or, as the case may be, the Successor Rate); or
- III. if no such recommendation or option has been made (or made available) under (I) above and if the Issuer, following consultation with the Independent Adviser (if appointed) determines there is no such spread, formula or methodology in customary market usage or which is industry-accepted under (II) above, the Issuer, in its discretion, following consultation with the Independent Adviser (if appointed) and acting in good faith and in a commercially reasonable manner, determines to be appropriate having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this paragraph (III), of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Noteholders;

**"Alternative Rate"** means an alternative benchmark or screen rate which the Issuer, following consultation with the Independent Adviser (if appointed), determines in accordance with this Condition 4(b)(xi) has replaced the Original Reference Rate in customary market usage, or is an industry-accepted rate, in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) for a commensurate interest period and in the same Specified Currency as the Notes;

**"Benchmark Event"** means, with respect to an Original Reference Rate, any one or more of the following:

- I. the Original Reference Rate ceasing to exist or to be published or administered on a permanent or indefinite basis;
- II. the making of a public statement by the administrator of the Original Reference Rate that it has ceased or will cease to publish 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);
- III. the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued;

- IV. the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will be prohibited from being used, is no longer (or will no longer be) representative of its underlying market or that its use will be subject to restrictions or adverse consequences, in each case in circumstances where the same shall be applicable to the Notes; or
- V. it has or will prior to the next Interest Determination Date become unlawful for the Issuer, the Calculation Agent, or any Paying Agent to calculate any payments due to be made to any Noteholder or Couponholder using the Original Reference Rate (including, without limitation, under the Regulation (EU) 2016/1011 as that Regulation applies in the European Union and/or as it applies in the United Kingdom in the form retained as domestic law in the United Kingdom under the European Union (Withdrawal) Act 2018, as amended, if applicable),

provided that in the case of paragraphs (II) to (IV) above, the Benchmark Event shall occur on:

- i. in the case of (II) above, the date of the cessation of the publication of the Original Reference Rate;
- ii. in the case of (III) above, the discontinuation of the Original Reference Rate; or
- iii. in the case of (IV) above, the date on which the Original Reference Rate is prohibited from use, is deemed no longer to be representative or becomes subject to restrictions or adverse consequences (as applicable),

and not (in any such case) the date of the relevant public statement (unless the date of the relevant public statement coincides with the relevant date in i, ii or iii above, as applicable);

**"Independent Adviser"** means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense and approved in writing by the Trustee;

**"Original Reference Rate"** means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) on the Notes (provided that if, following one or more Benchmark Events, such originally specified Reference Rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term "Original

Reference Rate" shall be deemed to include any such Successor Rate or Alternative Rate);

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

- I. the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- II. any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (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; and

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

**(B) Benchmark Transition**

If the Issuer determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred in relation to an Original Reference Rate at any time when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply.

**(1) Independent Adviser**

The Issuer shall use reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining the Benchmark Replacement which will replace such Original Reference Rate for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates (subject to any subsequent application of this Condition 4(b)(xi)(B) with respect to such Benchmark Replacement) and any Benchmark Replacement Conforming Changes.

Any Benchmark Replacement so determined by the Issuer shall have effect for any subsequent determination of any relevant Rate of Interest (subject to any further application of this Condition 4(b)(xi)(B) with respect to such Benchmark Replacement), subject, if any associated Benchmark Replacement Conforming Changes are required in connection therewith, to such

Benchmark Replacement Conforming Changes becoming effective in accordance with the following provisions.

If, notwithstanding the Issuer's reasonable endeavours, the Issuer is unable to appoint and consult with an Independent Adviser in accordance with the foregoing paragraph, the Issuer shall nevertheless be entitled, acting in good faith and in a commercially reasonable manner, to make any and all determinations expressed to be made by the Issuer pursuant to this Condition 4(b)(xi)(B), notwithstanding that such determinations are not made following consultation with an Independent Adviser. If, however, the Issuer is unable to determine a Benchmark Replacement in accordance with this Condition 4(b)(xi)(B), the provisions of Condition 4(b)(xi)(F) below shall apply.

## (2) Benchmark Replacement Conforming Changes

If the Issuer, following consultation with the Independent Adviser (if appointed), considers it is necessary to make Benchmark Replacement Conforming Changes, the Issuer shall, in consultation with the Independent Adviser (if appointed), determine the terms of such Benchmark Replacement Conforming Changes, and shall, subject to giving notice in accordance with Condition 4(b)(xi)(C) below (but without any requirement for the consent or approval of Noteholders), vary these Conditions, the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Replacement Conforming Changes with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 4(b)(xi)(C), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Replacement Conforming Changes (including, *inter alia*, by the execution of a deed or an agreement supplemental to or amending the Trust Deed and/or the Agency Agreement (as applicable)) and the Trustee shall not be liable to any party for any consequences thereof, provided that the Trustee shall not be obliged so to concur if in the sole opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend rights and/or the protective provisions afforded to the Trustee in these Conditions, the Trust Deed or the Agency Agreement (including, for the avoidance of doubt, any supplemental trust deed and/or agency agreement) in any way.

In connection with any such variation in accordance with this Condition 4(b)(xi)(B), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

## (3) Definitions

As used in this Condition 4(b)(xi)(B):

**"Benchmark Replacement"** means the first alternative set forth in the order below that can be determined by the Issuer on 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 Original Reference Rate for the applicable Corresponding Tenor 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 Original Reference Rate for the applicable Corresponding Tenor 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 notes 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 on 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 notes at such time;

**"Benchmark Replacement Conforming Changes"** means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to any Interest Period, Interest Accrual Period, the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer (in consultation with the Independent Adviser, if appointed)

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 (in consultation with the Independent Adviser, if appointed) determines is reasonably necessary);

**"Benchmark Replacement Date"** means the earliest to occur of the following events with respect to the Original Reference Rate (including the daily published component used in the calculation thereof):

- I. in the case of clause (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 Original Reference Rate permanently or indefinitely ceases to provide the Original Reference Rate (or such component); or
- II. in the case of clause (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 (where the Rate of Interest is to be determined pursuant to Condition 4(b)(xi)(B)) the Specified Time or (in any other case) the customary or scheduled time for publication of the relevant reference rate in accordance with the then-prevailing operational procedures of the administrator of such reference rate or, as the case may be, of the other relevant information service publishing such reference rate, on, the relevant Interest Determination Date, the Benchmark Replacement Date will be deemed to have occurred prior to such time for such determination;

**"Benchmark Transition Event"** means the occurrence of one or more of the following events with respect to the Original Reference Rate (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 Original Reference Rate (or such component) announcing that such administrator has ceased or will cease to provide the Original Reference Rate (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 Original Reference Rate (or such component); or
- II. a public statement or publication of information by the regulatory supervisor for the administrator of the Original Reference Rate (or such component), the

central bank for the currency of the Original Reference Rate (or such component), an insolvency official with jurisdiction over the administrator for the Original Reference Rate (or such component), a resolution authority with jurisdiction over the administrator for the Original Reference Rate (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Original Reference Rate, which states that the administrator of the Original Reference Rate (or such component) has ceased or will cease to provide the Original Reference Rate (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 Original Reference Rate (or such component); or

- III. a public statement or publication of information by the regulatory supervisor for the administrator of the Original Reference Rate announcing that the Original Reference Rate is no longer representative;

**"Corresponding Tenor"** means, with respect to a Benchmark Replacement, a tenor (including overnight) having approximately the same length (disregarding business day adjustment) as the applicable tenor for the Original Reference Rate;

**"Independent Adviser"** means an independent financial institution of international repute or an independent adviser of recognised standing with appropriate expertise appointed by the Issuer at its own expense and approved in writing by the Trustee;

**"ISDA Definitions"** means the 2021 ISDA Interest Rate Derivatives Definitions;

**"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 Original Reference Rate;

**"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 Original Reference Rate for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

**"Original Reference Rate"** means the benchmark or screen rate (as applicable) originally specified for the purpose of determining the relevant Rate of Interest (or any relevant component part(s) thereof) on the Notes (provided that if, following one or more Benchmark Transition Events, such originally specified benchmark or screen rate (or any benchmark used in any Benchmark Replacement which has replaced it (the **"Replacement Benchmark"**)) has been replaced by a (or a further) Replacement Benchmark and a Benchmark Transition Event subsequently occurs in respect of such Replacement

Benchmark, the term "Original Reference Rate" shall be deemed to include any such Replacement Benchmark);

**"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; and

**"Unadjusted Benchmark Replacement"** means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(C) *Notices, etc.*

The Issuer shall notify the Trustee, the Agent, the Calculation Agent (if different from the Agent), the Paying Agents and, in accordance with Condition 14, the Noteholders, promptly of any Successor Rate, Alternative Rate, Adjustment Spread and/or Benchmark Replacement, and the specific terms of any Benchmark Amendments or Benchmark Replacement Conforming Changes (as applicable), determined under this Condition 4(b)(xi). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments or Benchmark Replacement Conforming Changes (as applicable), if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories:

- (1) confirming (x) that a Benchmark Event or a Benchmark Transition Event (as applicable) has occurred, (y) the Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread or, as the case may be, the Benchmark Replacement and (z) the specific terms of the Benchmark Amendments or Benchmark Replacement Conforming Changes (if any), as applicable, in each case as determined in accordance with the provisions of this Condition 4(b)(xi);
- (2) certifying that the Benchmark Amendments or Benchmark Replacement Conforming Changes (as applicable) are necessary to ensure the proper operation of (as applicable) (A) such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread or (B) such Benchmark Replacement; and
- (3) certifying that (i) the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above or, if that is not the case, (ii) explaining, in reasonable detail, why the Issuer has not done so.

The Trustee shall be entitled to rely on such certificate (without inquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate, Alternative Rate, Benchmark Replacement, Adjustment Spread, Benchmark Amendments and/or Benchmark Replacement Conforming Changes (if any), as applicable, specified in such certificate will (in the absence of manifest error in the determination thereof and without prejudice to the Trustee's ability to rely on such certificate as



aforesaid) be binding on the Issuer, the Trustee, the Agent, the Calculation Agent, the Paying Agents and the Noteholders and Couponholders.

(D) *Survival of Original Reference Rate*

Without prejudice to the Issuer's obligations under the provisions of this Condition 4(b)(xi), the Original Reference Rate and the fallback provisions provided for in Condition 4(b) will continue to apply unless and until the Calculation Agent has been notified, in accordance with Condition 4(b)(xi)(C), of (as the case may be):

- (1) the Successor Rate or the Alternative Rate (as the case may be), and (in either case) the Adjustment Spread and Benchmark Amendments (if any) determined in accordance with Condition 4(b)(xi)(A); or
- (2) the Benchmark Replacement and Benchmark Replacement Conforming Changes (if any) determined in accordance with Condition 4(b)(xi)(B).

(E) *Restriction on Independent Adviser and Issuer liability*

An Independent Adviser appointed pursuant to this Condition 4(b)(xi) shall act in good faith.

In the absence of bad faith or fraud, neither the Issuer nor any Independent Adviser shall have any liability whatsoever to the Trustee, the Paying Agents, the Agent, the Calculation Agent or the Noteholders or Couponholders for any determination made by the Issuer or the Independent Adviser or (in the case of the Independent Adviser) for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 4(b)(xi).

(F) *Fallbacks*

If, following the occurrence of:

- (1) a Benchmark Event; or
- (2) a Benchmark Transition Event (and its related Benchmark Replacement Date),

in respect of the Original Reference Rate, on the immediately following Interest Determination Date:

- i. (in the case of (1) above) no Successor Rate or Alternative Rate (as applicable) is determined pursuant to Condition 4(b)(xi)(A) or (as the case may be) a Successor Rate or Alternative Rate (as applicable) is determined, but no Adjustment Spread is determined pursuant to Condition 4(b)(xi)(A); or
- ii. (in the case of (2) above) no Benchmark Replacement is determined in accordance with Condition 4(b)(xi)(B),

then the original benchmark or screen rate (as applicable) will continue to apply for the purposes of determining such Rate of Interest on such

Interest Determination Date, with the effect that the fallback provisions provided in the relevant part of Condition 4(b) will continue to apply to such determination.

In such circumstances, the Issuer will be entitled (but not obliged), at any time thereafter, to elect to re-apply the provisions of this Condition 4(b)(xi), *mutatis mutandis*, on one or more occasions until:

- i. (in the case of (1) above) a Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread and any Benchmark Amendments; or
- ii. (in the case of (2) above) the Benchmark Replacement and any Benchmark Replacement Conforming Changes,

have been determined and notified in accordance with this Condition 4(b)(xi) (and, until such determination and notification (if any), the fallback provisions provided in the relevant part of Condition 4(b), will continue to apply).

*The Issuer's intention is that, in circumstances where the Issuer has been unable to determine (as applicable) (i) a Successor Rate or Alternative Rate (as applicable) and (in either case) the Adjustment Spread or (ii) the Benchmark Replacement pursuant this Condition 4.2(b)(xi), it will elect to re-apply such provisions if and when, in its sole determination, there have been such subsequent developments (whether in applicable law, market practice or otherwise) as would enable the Issuer successfully to apply such provisions and determine (as applicable) (a) a Successor Rate or Alternative Rate (as applicable) and (in either case) the applicable Adjustment Spread and the applicable Benchmark Amendments (if any) or (b) the Benchmark Replacement and the applicable Benchmark Replacement Conforming Changes (if any).*

(G) Preparation in anticipation of a Benchmark Event or a Benchmark Transition Event

If the Issuer anticipates that a Benchmark Event or a Benchmark Transition Event, as applicable, will or may occur, nothing in these Conditions shall prevent the Issuer (in its sole discretion) from taking, prior to the occurrence of such Benchmark Event or a Benchmark Transition Event, such actions as it considers expedient in order to prepare for applying the provisions of this Condition 4(b)(xi) (including, without limitation, appointing and consulting with an Independent Adviser, and seeking to identify any Successor Rate, Alternative Rate, Adjustment Spread, Benchmark Amendments, Benchmark Replacement and/or Benchmark Replacement Conforming Changes, as applicable), provided that no Successor Rate, Alternative Rate, Adjustment Spread, Benchmark Amendments, Benchmark Replacement and/or Benchmark Replacement Conforming Changes will take effect until the relevant Benchmark Event, or the relevant Benchmark Transition Event and its related Benchmark Replacement Date, as applicable, has occurred.

(c) *Interest on Index-Linked Interest Notes*

This Condition 4(c) applies to Index-Linked Interest Notes only. The applicable Final Terms will contain provisions applicable to the determination of Index-linked interest and

must be read in conjunction with this Condition 4(c) and Condition 5 for full information on the manner in which interest is calculated on the Index-Linked Interest Notes.

(i) Interest Payment Dates

Each Index-Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (or, if applicable, other Interest Accrual Period).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(c)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

(ii) Rate of Interest

The Rate of Interest payable from time to time in respect of Index-Linked Interest Notes will be specified, or determined in the manner specified, in the applicable Final Terms.

The provisions of Condition 4(b)(v) shall apply to this Condition 4(c) *mutatis mutandis*.

(iii) Determination of applicable Index Ratio or Limited Index Ratio and calculation of Interest Amounts

The Calculation Agent will, at or as soon as practicable after each time at which the Index Ratio or Limited Index Ratio (as applicable) applicable to any payment of interest in respect of the Notes becomes capable of being determined, determine the Index Ratio or Limited Index Ratio (as applicable) applicable to the relevant payment of interest.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Index-Linked Interest Notes for the relevant Interest Period (or other Interest Accrual Period) by applying the Rate of Interest to:

- (A) in the case of Index-Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (B) in the case of Index-Linked Interest Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction (which shall have the meaning specified in Condition 4(a) or Condition 4(b)) and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Such Interest Amount will then be adjusted in accordance with Condition 5(b). Where the Specified Denomination of an Index-Linked Interest Note in definitive form is greater than the Calculation Amount, the Interest Amount payable in respect of such Note shall be the amount (determined and adjusted in the manner provided above) calculated in respect of the Calculation Amount multiplied by a fraction, the numerator of which is the Specified Denomination of the Note in question and the denominator of which is the Calculation Amount, without any further rounding.

(iv) Notification of Interest Amounts

The Calculation Agent will cause the Interest Amount for each Interest Period (or, if applicable, other Interest Accrual Period) and the relevant Interest Payment Date to be notified to the Trustee, the Issuer and the Agent as soon as practicable after determining the same. The Agent will cause such amounts to be notified to any listing authority, stock exchange and/or quotation system to which the Notes have then been admitted to listing, trading and/or quotation and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 4(b)(viii)) thereafter. Each Interest Amount, Rate of Interest (if applicable) and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period (or other Interest Accrual Period). Any such amendment will be promptly notified to each listing authority, stock exchange and/or quotation system to which the Notes have then been admitted to listing, trading and/or quotation and to the Noteholders in accordance with Condition 14.

(v) Determination or Calculation by Trustee

If for any reason at any relevant time the Calculation Agent defaults in its obligation to determine the Index Ratio or Limited Index Ratio applicable to any payment of interest in respect of the Notes or defaults in its obligation to calculate any Interest Amount for any Interest Period (or other Interest Accrual Period), in each case in accordance with sub-paragraph (iii) above or as otherwise specified in the applicable Final Terms, as the case may be, the Trustee shall determine the Index Ratio or Limited Index Ratio applicable to the

relevant payment at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 4 and to the provisions of Condition 5), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) for the relevant period(s) in such manner as it shall deem fair and reasonable in all the circumstances. In making any such determination or calculation, the Trustee may appoint and rely on a determination or calculation by a calculation agent (which shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Calculation Agent (and, where practicable, in accordance with this Condition). The Trustee shall have no liability to any person in connection with any determination or calculation it is required to make pursuant to this Condition.

(vi) 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 this Condition 4(c), whether by the Calculation Agent, the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Agent, the Trustee, the Calculation Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Guarantor, the Noteholders or the Couponholders shall attach to the Agent, the Trustee or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, if applicable, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

## 5. Indexation

This Condition 5 shall only apply to Notes in respect of which the applicable Final Terms specify Index-Linked Interest ("**Index-Linked Interest Notes**") and/or Index-Linked Redemption ("**Index-Linked Redemption Notes**" and, together with Index-Linked Interest Notes, "**Index-Linked Notes**"), unless otherwise specified in the applicable Final Terms.

(a) *Definitions*

"**Base Index Figure**" means (subject to Condition 5(d) below) the Base Index Figure specified in the applicable Final Terms;

"**CPI**" means the U.K. Consumer Prices Index (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any);

"**CPIH**" means the U.K. Consumer Prices Index including owner occupier's housing costs (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any);

"**Index**" or "**Index Figure**" means, subject as provided in Conditions 5(d) and (g) below, either RPI, CPI or CPIH as specified in the relevant Final Terms;

Any reference to the "Index Figure applicable" to:

- (i) a particular month ("**m**"), shall, subject as provided in Conditions 5(d) and (g) below, be construed as a reference to the Index Figure (RPI, CPI or CPIH, as applicable) published in the month falling N months prior to month m and relating

to the month before that of publication, where "N" is specified in the applicable Final Terms (or, if not so specified, seven); or

- (ii) a particular date ("d") in a particular month ("m"), shall, subject as provided in Conditions 5(d) and (g) below, be construed as a reference to the Index Figure (RPI, CPI or CPIH as applicable) calculated in accordance with the following formula:

$$IFA_d = IF_{m-N} + [(D_1/D_2) \times (IF_{m-(N-1)} - IF_{m-N})]$$

where:

"**IFA<sub>d</sub>**" is the Index Figure applicable to date d;

"**N**" is the figure specified in the applicable Final Terms (or, if not so specified, two);

"**IF<sub>m-N</sub>**" is the Index Figure (RPI, CPI or CPIH, as applicable) published in the month falling N months prior to month m and relating to the month before that of publication;

"**IF<sub>m-(N-1)</sub>**" is the Index Figure (RPI, CPI, or CPIH, as applicable) published in the month falling (N-1) months prior to month m and relating to the month before that of publication;

"**D<sub>1</sub>**" is the actual number of days from (and including) the first calendar day of month m to (but excluding) date d in that month (provided that if d is the first calendar day of the month, "D<sub>1</sub>" shall be zero); and

"**D<sub>2</sub>**" is the actual number of days in month m;

"**Indexation Adviser**" means a gilt-edged market maker or other adviser selected by the Issuer;

"**Indexed Benchmark Gilt**" means the Reference Gilt specified in the applicable Final Terms or, if no Reference Gilt is so specified, or if the Reference Gilt specified has ceased to be outstanding, 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, that is indexed to the same Index as the Notes and that has a maturity most closely matching that of the Notes, as determined by the Indexation Adviser;

"**Index Ratio**" applicable to any month or date (as the case may be) means the Index Figure applicable to such month or date (as applicable) divided by the Base Index Figure and rounded to the nearest fifth decimal place (with 0.000005 being rounded upwards);

"**Limited Index Ratio**" means (i) in respect of any month or date (as the case may be) prior to the relevant Issue Date, the Index Ratio for that month or date (as applicable), (ii) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date (as the case may be) and the Limited Index Ratio as previously calculated in respect of the month or date (as applicable) twelve months prior thereto; and (iii) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

"**Limited Indexation Date**" means any date falling during the Limited Indexation Period specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

"**Limited Indexation Factor**" means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date (as the case may be) divided by the Index Figure applicable to the month or date (as applicable) twelve months prior thereto, provided that (i) 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 (ii) if such ratio is less than

the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

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

**"Limited Index Linked Notes"** means Index-Linked Notes to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies; and

**"RPI"** means the U.K. Retail Prices Index (for all items) published by the Office for National Statistics (January 1987 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any).

(b) *Index-Linked Interest Provisions*

If Index-Linked Interest is specified in the applicable Final Terms, the amount of interest (the **"Adjusted Interest Amount"**) payable in respect of the Notes on any day on which interest falls due shall be determined by the Calculation Agent by multiplying (i) the Interest Amount determined in accordance with Condition 4(c)(iii) by (ii) the Index Ratio or (in the case of Limited Index Linked Notes) the Limited Index Ratio applicable to the month in, or date on (as the case may be), which the relevant interest payment falls due, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency (half of any such sub-unit being rounded upwards or otherwise in accordance with market convention).

References in these Conditions and the applicable Final Terms to "Interest Amount" shall (except for the purposes of the determination referred to in part (i) of this paragraph (b)) be deemed to be references to the Adjusted Interest Amount.

(c) *Index-Linked Redemption Provisions*

If Index-Linked Redemption is specified in the applicable Final Terms, unless the applicable Final Terms provide otherwise the Final Redemption Amount, Early Redemption Amount and any applicable Optional Redemption Amount, Residual Call Early Redemption Amount and/or Event Put Amount per Calculation Amount of the Notes shall be the amount determined by the Calculation Agent by multiplying the applicable amount per Calculation Amount specified in the applicable Final Terms by the Index Ratio or (in the case of Limited Index Linked Notes) the Limited Index Ratio applicable to the month in, or date on (as the case may be), which the due date for redemption falls and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency (half of any such sub-unit being rounded upwards or otherwise in accordance with market convention), provided that:

- (i) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount, Minimum Optional Redemption Amount, Minimum Residual Call Early Redemption Amount and/or Minimum Event Put Amount is specified in the applicable Final Terms and such amount is greater than the amount calculated by the Calculation Agent in accordance with this paragraph (c), the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount, Residual Call Early Redemption Amount and Event Put Amount (as applicable) per Calculation Amount shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount, Minimum Optional Redemption Amount, Minimum Residual Call Early Redemption Amount and Minimum Event Put Amount (as applicable) so specified in the applicable Final Terms; and/or
- (ii) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount, Maximum Optional Redemption Amount, Maximum Residual Call Early Redemption Amount and/or Maximum Event Put Amount is specified in the applicable Final Terms and such amount is less than the amount calculated by the Calculation Agent in accordance with this paragraph (c), the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount,

Residual Call Early Redemption Amount and Event Put Amount (as applicable) per Calculation Amount shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount, Maximum Optional Redemption Amount, Maximum Residual Call Early Redemption Amount and Maximum Event Put Amount (as applicable) so specified in the applicable Final Terms.

For the avoidance of doubt, the Make-Whole Redemption Amount (if any) applicable in respect of the Notes will not be subject to indexation in accordance with this Condition 5(c).

(d) *Changes in Circumstances Affecting the Index: change in base*

If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the month, or (as the case may be) the first date, from and including that in, or on, which such substitution takes effect (i) the definition of "Index" and "Index Figure" shall be deemed to refer to the new month or date (as applicable) in substitution for January 1987 (where RPI is specified as the Index in the relevant Final Terms) or 2015 (where CPI or CPIH is specified as the Index in the relevant Final Terms) (or, as the case may be, to such other month or date (as applicable) as may have been substituted therefor), and (ii) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure for the date on which such substitution takes effect, divided by the Index Figure for the date immediately preceding the date on which such substitution takes effect.

(e) *Changes in Circumstances Affecting the Index: delay in publication of the Index*

If the Index Figure relating to any month (a "**Relevant Month**") which is required to be taken account for the purposes of the determination of the Index Figure applicable to any month or date (as the case may be) is not published on or before the 14th business day before the date on which any payment that is subject to adjustment in accordance with Condition 5(b) or (c) above is due (the "**date for payment**"), the Index Figure relating to such Relevant Month shall be (i) such substitute index figure (if any) as in the determination of the Indexation Adviser has been published by the United Kingdom Debt Management Office (or other relevant governmental authority) or the Bank of England, as the case may be, for the purposes of indexation of payments on the Indexed Benchmark Gilt (if any) or, failing such publication, on any one or more issues of index-linked Treasury Stock that is indexed to the same Index as the Notes, as selected by the Indexation Adviser or (ii) 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 5(d) above) before the date for payment.

(f) *Application of Changes*

Where the provisions of Condition 5(e) above apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding on the Issuer, the Trustee, the Noteholders and Couponholders. If, an Index Figure having been applied pursuant to Condition 5(e)(ii) above, the Index Figure relating to any Relevant Month or relevant calculation month, as the case may be, is subsequently published while a Note is still outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Note determined by reference to the Index Ratio other than upon final redemption of such Note, 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 5(e)(ii) above) above or below the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the 14th 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.

(g) *Cessation of, or Fundamental Changes to, the Index*

If (i) the Trustee has been notified by the Calculation Agent that the Index has ceased to be published or (ii) only if Condition 5(g)(ii) is specified in the Final Terms as applicable to the Notes, any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of (A) the Issuer be materially prejudicial to the interests of the Issuer, or (B) the Trustee (acting solely on the advice of the Indexation Adviser), be materially prejudicial to the interests of the Noteholders, the Issuer will give written notice of such occurrence to the Trustee in the case of (A) or the Trustee will give written notice of such occurrence to the Issuer in the case of (B), and the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave both the Issuer and the Noteholders in substantially a no better and no worse position than they would have been had the Index not ceased to be published or, if applicable, the relevant fundamental change not been made.

If the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned in the immediately preceding paragraph, a bank or other person in London shall be appointed by the Issuer with the written approval of the Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave both the Issuer and the Noteholders in substantially a no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the Trustee and the Noteholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 14 of such adjustment, replacement and/or amendments as promptly as practicable following such notification.

Any Indexation Adviser and/or Expert appointed pursuant to the provisions of this Condition 5 shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Indexation Adviser and/or Expert and of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer, and neither the Indexation Adviser nor the Expert shall be liable to Noteholders or Couponholders for determinations made by it pursuant to the provisions of this Condition 5.

## 6. Payments

(a) *Method of payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment or other laws and regulations to which the relevant Issuer, the Guarantor (if applicable), the Agent or Paying Agents (if applicable) are subject, but without prejudice to the provisions of Condition 8 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, official interpretations thereof, or any law implementing an intergovernmental approach thereto. Any amounts withheld or deducted in accordance with (ii) will be treated as paid for all purposes under the Notes, and no additional amounts will be paid on the Notes with respect to any such withholding or deduction, whether pursuant to Condition 8 or otherwise, by the relevant Issuer, the Guarantor (if applicable), any Paying Agent or any other person.

(b) *Presentation of definitive Notes and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Notes in definitive form should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Index-Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate amount of interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

(c) *Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either: (i) by the Paying Agent to which it was presented and, in the case of any Global Note which is not a New Global Note, such record shall be prima facie evidence that the payment in question has been made; or (ii) in the records of Euroclear and Clearstream, Luxembourg.

(d) *General provisions applicable to payments*

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal or interest in respect of Notes is payable in US dollars, such US dollar payments of principal or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in US dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in US dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

(e) *Payment Day*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) in the case of Notes in definitive form only, the relevant place of presentation;
  - (B) each Additional Financial Centre (other than T2) specified in the applicable Final Terms;
  - (C) if T2 is specified as an Additional Financial Centre in the applicable Final Terms, a day on which T2 is open; and

- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which T2 is open.

(f) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) the Residual Call Early Redemption Amount(s) (if any) of the Notes;
- (vi) the Make-Whole Redemption Amount(s) (if any) of the Notes; and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **7. Redemption and Purchase**

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index-Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index-Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the Issuer would be obliged to pay additional amounts as provided or referred to in Condition 8 or (where the Issuer is STUF) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be obliged to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision of, or any authority in, or of, the United Kingdom, having power to tax, or any change in the application or judicial or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the Issuer or, as the case may be, (where the Issuer is STUF) the Guarantor taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, (where the Issuer is STUF) the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, (where the Issuer is STUF) two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent set out in (i) and (ii) above to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, (where the Issuer is STUF) the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event they shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in Condition 7(g) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(c) *Issuer Call Options*

For the purpose of any redemption pursuant to this Condition 7(c), the Issuer shall have given the "**Required Notice**" if it has given:

- (A) (subject to any alternative notice period specified in the applicable Final Terms) not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 14; and
- (B) not less than 15 days before the giving of the notice referred to in (A), notice to the Trustee and to the Agent,

and any such notice shall be irrevocable and shall specify the date fixed for redemption.

(i) *Redemption at the option of the Issuer (Issuer Call)*

If 'Issuer Call' is specified as being applicable in the applicable Final Terms, the Issuer may, having given the Required Notice: redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) both as specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption, in a place chosen by the Issuer and approved by the Trustee and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, in accordance with their customary procedures). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

(ii) *Issuer Residual Call Option*

If 'Issuer Residual Call' is specified as being applicable in the applicable Final Terms and, at any time, other than as a result (in whole or in part) of the Issuer having redeemed some (but not all) of the Notes pursuant to Condition 7(c)(iii) at a Make-Whole Redemption Amount which is higher than the applicable Residual Call Early Redemption Amount, the outstanding aggregate nominal amount of the Notes is 20 per cent. or less of the aggregate nominal amount of the Notes originally issued (and, for these purposes, any further Notes issued pursuant to Condition 16 and consolidated with this Series of Notes shall be deemed to have been originally issued), the Issuer may, having given the Required Notice, redeem all (but not some only) of the Notes then outstanding at any time (if this Note is neither a Floating Rate Note nor an Index-Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index-Linked Interest Note), at the Residual Call Early Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 7(c)(ii), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, (where the Issuer is STUF) two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the outstanding aggregate nominal amount of the Notes is 20 per cent. or less of the aggregate nominal amount of the Notes originally issued. The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

(iii) *Make-Whole Redemption by the Issuer*

Other than in relation to Index-Linked Notes, if 'Make-Whole Redemption by the Issuer' is specified as being applicable in the applicable Final Terms, the Issuer may, having given the Required Notice (the date specified in the Required Notice as the date fixed for redemption being the "**Make-Whole Redemption Date**"), redeem all or some only of the Notes then outstanding at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note) at the Make-Whole Redemption Amount together, if appropriate, with interest accrued to (but excluding) the relevant Make-Whole Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Higher Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Redeemed Notes will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the relevant Make-Whole Redemption Date, in a place chosen by the Issuer and approved by the Trustee (or, if applicable, the Redeemed Notes will be selected by the relevant Paying Agent in such manner as such Paying Agent deems appropriate and as approved by the Trustee), and (ii) in the case of Redeemed Notes represented by a Global Note held in Euroclear and/or Clearstream, Luxembourg, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the relevant Make-Whole Redemption Date.

**"Make-Whole Redemption Amount"** means:

(A) the outstanding nominal amount of the relevant Note; or

(B) if higher, the sum, as determined by the Make-Whole Calculation Agent, of the present values of the Remaining Term scheduled payments of principal and interest on the Notes to be redeemed (not including any portion of such payments of interest accrued to (but excluding) the relevant Make-Whole Redemption Date) discounted to the relevant Make-Whole Redemption Date on an annual basis (on the basis of the Day Count Fraction specified in the applicable Final Terms) at the Make-Whole Reference Rate plus the Make-Whole Redemption Margin (if any) specified in the applicable Final Terms (and assuming, for this purpose, that the Notes are scheduled to mature on the Remaining Term Date).

In this Condition:

**"CA Selected Bond"** means a government security or securities (which, if the Specified Currency is euro, will be a German *Bundesobligationen*) selected by the Make-Whole Calculation Agent as having a maturity comparable to the Remaining Term and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Term;

**"Government of Canada Yield"** means with respect to any Make-Whole Redemption Date, the arithmetic average (rounded to the nearest 1/100 of 1 per cent., with 0.005 per cent. rounded up) of the yield to maturity, provided by two major Canadian investment dealers selected by the relevant Issuer as at noon (Toronto time) on the day prior to the Reference Rate Determination Date, as the yields which a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada on such date, at 100 per cent. of its principal amount with a term to maturity which most closely approximates the Remaining Term;

**"Make-Whole Calculation Agent"** means a financial adviser appointed by the Issuer and approved in writing by the Trustee for the purposes of calculating the relevant Make-Whole Redemption Amount, and notified to the Noteholders in accordance with Condition 14;

**"Make-Whole Reference Rate"** means, with respect to any Make-Whole Redemption Date, (i) if Canada Yield Price is specified to be applicable in the applicable Final Terms, the Government of Canada Yield or (ii) if Canada Yield Price is not specified to be applicable in the applicable Final Terms the rate per annum equal to the equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its nominal amount) equal to the Reference Bond Price with respect to such Make-Whole Redemption Date. The Make-Whole Reference Rate will be calculated on the Reference Rate Determination Date specified in the applicable Final Terms;

**"Reference Bond"** means (i) if CA Selected Bond is specified in the applicable Final Terms, the relevant CA Selected Bond or (ii) if CA Selected Bond is not specified in the applicable Final Terms, the security specified in the applicable Final Terms, provided that if the Make-Whole Calculation Agent advises the Issuer that, at the time at which the relevant Make-Whole Redemption Amount is to be determined, for reasons of illiquidity or otherwise, the relevant security specified is not appropriate for such purpose, such other central bank or government security as the Make-Whole Calculation Agent may, after consultation with the Issuer and with the advice of Reference Market Makers, determine to be appropriate;

**"Reference Bond Price"** means, with respect to a Make-Whole Redemption Date, (i) the average of five Reference Market Maker Quotations for the relevant Make-Whole Redemption Date, after excluding the highest and lowest of such five Reference Market Maker Quotations (or, if there are two equally highest and/or two equally lowest quotations, excluding just one of such highest quotations and/or one of such lowest quotations, as the case may be), (ii) if the Make-Whole Calculation Agent obtains fewer than five, but more than one, such Reference Market Maker Quotations, the average of all such quotations, or (iii) if only one or no such Reference Market Maker Quotation is obtained, the amount determined in accordance with prevailing market practice in the reasonable opinion of the Make-Whole Calculation Agent as the middle market price of the Reference Bond on the Reference Rate Determination Date specified in the applicable Final Terms;

**"Reference Market Maker Quotations"** means, with respect to each Reference Market Maker and any Make-Whole Redemption Date, the average, as determined by the Make-Whole Calculation Agent, of the bid and asked prices for the Reference Bond (expressed in each case as a percentage of its nominal amount) quoted in writing by that Reference Market Maker to the Make-Whole Calculation Agent at the Quotation Time specified in the applicable Final Terms on the Reference Rate Determination Date specified in the applicable Final Terms;

**"Reference Market Makers"** means five brokers or market makers of securities such as the Reference Bond selected by the Make-Whole Calculation Agent or such other five persons operating in the market for securities such as the Reference Bond as are selected by the Make-Whole Calculation Agent in consultation with the Issuer;

**"Remaining Term"** means, with respect to the Notes to be redeemed, the remaining term of the Notes to the Remaining Term Date; and

**"Remaining Term Date"** means (i) if a First Par Call Date is specified in the applicable Final Terms, that First Par Call Date, or (ii) otherwise, the Maturity Date.

(iv) *Issuer Maturity Call Option*

Other than in relation to Index-Linked Notes, if 'Issuer Maturity Call' is specified as being applicable in the applicable Final Terms, the Issuer may, having given the Required Notice, redeem all (but not some only) of the Notes then outstanding on any Business Day during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date (if this Note is not a Floating Rate Note) or on the Interest Payment Date immediately preceding the Maturity Date (if this Note is a Floating Rate Note), at the Final Redemption Amount specified in the applicable Final Terms, together (if appropriate) with interest accrued to (but excluding) the date fixed for redemption.

(d) *Redemption at the option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than 30 nor more than 45 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not, in the case of a definitive Note, in part) such Note on the Optional Redemption Date and at the Optional Redemption Amount (both as specified in the applicable Final Terms) together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be



exercised, certain conditions and circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

If this Note is in definitive form, to exercise the right to require redemption of this Note under this Condition 7(d) the Noteholder must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the Noteholder must specify a bank account to which payment is to be made under this Condition.

If this Note is represented by a Global Note, to exercise the right to require redemption of this Note under this Condition 7(d) the Noteholder must give notice to any Paying Agent, at any time during normal business hours of such Paying Agent falling within the notice period, of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Noteholder's instruction by Euroclear or Clearstream, Luxembourg or any common depository or common safekeeper, as the case may be, to the Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

(e) *Redemption at the Option of the Noteholders on a Put Event*

This Condition 7(e) applies to Notes with an original maturity of more than 20 years.

If, at any time while any of the Notes remains outstanding, a Put Event (as defined below) occurs, then the holder of each Note will, upon the giving of a Put Event Notice (as defined below), have the option to require the Issuer to redeem the Note on the Put Date at the Event Put Amount (as specified in the applicable Final Terms), together with interest accrued up to (but excluding) the Put Date. For the avoidance of doubt, the occurrence of an event which is a Put Event shall not constitute an Event of Default.

A "**Put Event**" occurs if:

- (i) the appointment of Severn Trent Water Limited as in effect on the relevant Issue Date (the "**Appointment**") as the water undertaker and sewerage undertaker for the areas described in the Instrument of Appointment dated August 1989 made by the Secretary of State under sections 11 and 14 of the Water Act 1989 (now section 6 of the Water Industry Act 1991) is terminated other than in respect of such part of its area as is the subject of an appointment or variation by virtue of section 7(4)(b) or (bb) of the Water Industry Act 1991; or
- (ii) a Restructuring Event occurs and, within the Restructuring Period, either (a) if at the time the relevant Restructuring Event occurs there are Rated Securities, a Rating Downgrading in respect of that Restructuring Event also occurs or (b) if at such time there are no Rated Securities, the Issuer or (where the Issuer is STUF) the Guarantor fails to obtain (whether by failing to seek a rating or otherwise) a rating of the Notes or any other unsecured and unsubordinated debt of the Issuer or (where the Issuer is STUF) of the Guarantor or (where the Issuer is Severn Trent) of any Subsidiary of the Issuer or (where the Issuer is STUF) of any other Subsidiary of the Guarantor which, in any case, is guaranteed on an unsecured and unsubordinated basis by (where the Issuer is Severn Trent) the Issuer or (where the Issuer is STUF) the Guarantor having an initial maturity of five years or more, from a Rating Agency of at least investment grade (BBB-/BBB-/Baa3, or their respective equivalents for the time being) (a "**Negative Rating Event**") and, in the case of either (a) or (b), such Restructuring Event is, not later than 14 days after the expiry of the Restructuring Period, certified in writing by an independent financial adviser appointed by the Trustee (after consultation with the Issuer as to the identity of such independent financial adviser) as being in its opinion materially prejudicial to the interests of the Noteholders (a "**Negative Certification**") (that Restructuring Event and the relevant Rating Downgrading or, as the case may

be, Negative Rating Event and, in each case, the Negative Certification together constituting the Put Event). Any certification by an independent financial adviser as aforesaid as to whether or not any Restructuring Event is materially prejudicial to the interests of the Noteholders shall, in the absence of manifest error, be conclusive and binding on all concerned. For the avoidance of doubt, the service by the Secretary of State of a notice under Condition O of the Appointment shall not of itself constitute a Put Event; or

- (iii) where the Issuer is Severn Trent only, Severn Trent Water Limited ceases to be a Subsidiary of Severn Trent.

Promptly upon becoming aware that a Put Event has occurred, and in any event not later than 21 days after the occurrence of the Put Event, the Issuer or, as the case may be, the Guarantor shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by an Extraordinary Resolution of the Noteholders shall, give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 14, specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 7(e).

If this Note is in definitive form, to exercise the option to require the Issuer to redeem such Note under this Condition 7(e), the Noteholder must deliver such Note at the specified office of any Paying Agent, on any day which is a day on which banks are open for business in London and in the place of the specified office of such Paying Agent falling within the period (the "**Put Period**") of 45 days after the date on which a Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (an "**Event Put Notice**"). The Note must be delivered to the Paying Agent together with all Coupons appertaining thereto (which expression, for the avoidance of doubt, shall include unmatured Coupons falling to be issued on exchange of matured Talons) maturing after the date (the "**Put Date**") being the seventh day after the date of expiry of the Put Period, failing which deduction in respect of such missing unmatured Coupons shall be made in accordance with Condition 6(b). The Paying Agent to which such Note and Event Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt (a "**Put Receipt**") in respect of the Note so delivered. Payment by the Issuer in respect of any Note so delivered shall be made, if the Noteholder duly specified in the Event Put Notice a bank account to which payment is to be made, by transfer to that bank account on the Put Date, and in every other case, on or after the Put Date against presentation and surrender of such Put Receipt at the specified office of any Paying Agent. An Event Put Notice, once given, shall be irrevocable. For the purposes of Conditions 1, 9, 10, 11, 15 and 18 Put Receipts issued pursuant to this Condition 7(e) shall be treated as if they were Notes.

If this Note is represented by a Global Note, to exercise the option to require the Issuer to redeem such Note under this Condition 7(e), the Noteholder must give notice to any Paying Agent, on any day which is a day on which banks are open for business in London and in the place of the specified office of such Paying Agent falling within the Put Period, of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Noteholder's instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, to the Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time. Such Noteholder will be required to comply with the standard procedures of the relevant clearing system at such time, which may include blocking the relevant Notes in the relevant clearing system account. Payment by the Issuer in respect of any Note which is the subject of such exercise by the Noteholder will be made on the Put Date in accordance with the standard procedures of the relevant clearing system or otherwise in accordance with such information as such Noteholder may be required to specify in the notice exercising its option to require redemption of the Notes.

In these Terms and Conditions:

"K" has the meaning ascribed to it in the Appointment;

**"Rated Securities"** means the Notes, if at any time and for so long as they shall have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated debt of, where the Issuer is STUF, the Guarantor or the Issuer or any other Subsidiary of the Guarantor which, in any case, is guaranteed on an unsecured and unsubordinated basis by the Guarantor or, where the Issuer is Severn Trent, the Issuer or any other Subsidiary of the Issuer which, in any case, is guaranteed on an unsecured and unsubordinated basis by the Issuer, in any case having an initial maturity of five years or more which is rated by a Rating Agency;

**"Rating Agency"** means any of Fitch Ratings Ltd, S&P Global Ratings UK Limited or Moody's Investors Service Limited, or any of their respective subsidiaries and/or affiliates and their successors or any rating agency substituted for any of them (or any permitted substitute of any of them) by the Issuer or the Guarantor from time to time with the prior written approval of the Trustee (not to be unreasonably withheld or delayed) or any other rating agency approved in writing by the Trustee from time to time;

**"Rating Downgrading"** shall be deemed to have occurred in respect of a Restructuring Event if the current rating assigned to the Rated Securities by any Rating Agency (whether provided by a Rating Agency at the invitation of the Issuer or (if applicable) the Guarantor or by its own volition) is withdrawn or reduced from an investment grade rating (BBB-/BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/BB+/Ba1, or their respective equivalents for the time being, or worse), or, if the Rating Agency shall have already rated the Rated Securities below investment grade (as described above), the rating is withdrawn or lowered one full rating category (for example, but without limitation, from BB+ to BB, or from Ba1 to Ba2);

**"Restructuring Event"** means either (a) the modification of any material rights, benefits or obligations of STWL as a water undertaker or sewerage undertaker arising under the Appointment, or (b) any material modification being made to the Appointment regardless, in the case of both paragraphs (a) and (b), of whether or not such modification is made with the consent of STWL and whether pursuant to the Water Industry Act 1991 or otherwise but excluding, in the case of both paragraphs (a) and (b), an adjustment in K (including for this purpose, for the avoidance of doubt, any adjustment to the basis or formula for pricing which arises as part of a periodic review under the terms of the Appointment) or a modification in respect of, or which removes, such part of STWL's area as is the subject of an appointment or variation by virtue of section 7(4)(b) or (bb) of the Water Industry Act 1991. For the avoidance of doubt, the service by the Secretary of State of a notice under Condition O of the Appointment shall not of itself constitute a Restructuring Event; and

**"Restructuring Period"** means, whether or not there are Rated Securities at the time a Restructuring Event occurs, the period of 45 days starting from and including the day on which that Restructuring Event occurs.

(f) *Redemption upon an Index Redemption Event*

In the case of Index-Linked Notes, if either (i) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 5(e)(ii) and the Trustee has been notified by the Calculation Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Indexed Benchmark Gilt, and (in either case) no amendment or substitution of the Index shall have been advised by the Indexation Adviser to the Issuer and such circumstances are continuing (an **"Index Redemption Event"**), the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Noteholders in accordance with Condition 14, redeem all, but not some only, of the Notes at their Early Redemption Amount determined in accordance with Condition 7(g), together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(g) *Early Redemption Amounts*

For the purpose of paragraph (b) above, redemption upon the occurrence of an Index Redemption Event and Condition 10:

- (i) each Note (other than a Zero Coupon Note or an Index-Linked Redemption Note) will be redeemed at its Early Redemption Amount specified in the applicable Final Terms;
- (ii) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"RP" means the Reference Price;

"AY" means the Accrual Yield expressed as a decimal; and

"y" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360; and

- (iii) each Index-Linked Redemption Note will be redeemed at an amount calculated in accordance with Condition 5(c).

(h) *Purchases*

The Issuer, the Guarantor or any of their Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to a Paying Agent for cancellation.

(i) *Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

(j) *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7(g)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Trustee or the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

(k) *Multiple notices of redemption*

In the event that more than one notice of redemption has been validly given pursuant to this Condition 7 (whether given by the Issuer pursuant to Condition 7(b), 7(c) or 7(f) or

given by a Noteholder pursuant to Condition 7(d) or 7(e)) in respect of any Note at any given time, the first such notice to have been given shall prevail.

## 8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom, or any political subdivision of, or any authority in, or of, the United Kingdom having power to tax unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, (where the Issuer is STUF) the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) presented for payment in the United Kingdom; or
- (b) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the United Kingdom, other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming, whether or not such is in fact the case, that day to have been a Payment Day (as defined in Condition 6(e)); or
- (d) presented for payment by or on behalf of a holder in respect of whom such withholding or deduction would not have been required had such holder provided evidence that such holder is within the charge to United Kingdom corporation tax (if that is the case) or had such holder made a declaration of nonresidence or other similar claim for exemption to the relevant tax authority or taken any other relevant procedural steps required in any of those cases in sufficient time prior to the Relevant Date to enable an exemption from withholding or deduction to be available in respect of the relevant payment of principal or interest (as the case may be).

In these Terms and Conditions, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

## 9. Prescription

The Notes and Coupons will become void unless claims in respect of principal and interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void upon issue pursuant to this Condition or Condition 6(b).

## 10. Events of Default

### (a) *Events of Default:*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice to the Issuer and (where the Issuer is STUF) the Guarantor that the Notes are, and they shall accordingly thereupon become, immediately due and repayable at their Early Redemption Amount (as specified

in the applicable Final Terms), together with accrued interest as provided in the Trust Deed, if any of the following events (each an "**Event of Default**") shall occur:

- (i) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 15 days; or
- (ii) if the Issuer or (where the Issuer is STUF) the Guarantor fails to perform or observe any of its other obligations under these Terms and Conditions or the Trust Deed and (except where the Trustee considers the failure to be incapable of remedy when the Notes will become due and repayable subject only to and upon the Trustee certifying as is hereinafter mentioned and giving notice as is herein and in the lead-in paragraph to this Condition mentioned) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or (where the Issuer is STUF) the Guarantor (as the case may be) of written notice requiring the same to be remedied; or
- (iii) if any indebtedness for Moneys Borrowed of the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary is validly declared to be due and repayable prior to the date on which the same would otherwise become due and repayable by reason of the occurrence of an event of default (however described) in relation thereto or if the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary defaults in the repayment of any indebtedness for Moneys Borrowed at the maturity thereof or at the expiry of any originally applicable grace period, or if any guarantee or indemnity or other like obligation in respect of any indebtedness for Moneys Borrowed given by the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary shall not be paid when due and called upon or at the expiry of any originally applicable grace period save in any such case where there is a bona fide dispute as to whether payment or repayment is due, provided that no such event as aforesaid shall constitute an event of default unless the Moneys Borrowed or other liability relative thereto either alone or when aggregated with other Moneys Borrowed and/or other liabilities relative to all (if any) other such events which shall have occurred shall amount to at least £10,000,000 (or its equivalent in any other currency or currencies at the date the same become due and payable or such default occurs or such payment is not made, as the case may be); or
- (iv) if (a) an order is made or an effective resolution is passed for the appointment of an administrator or for the winding-up of the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary (except, in the case of a Material Subsidiary, a winding-up for the purposes of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee, or a voluntary solvent winding-up in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Subsidiary to (where the Issuer is STUF) the Guarantor, the Issuer or another Subsidiary of the Guarantor or (where the Issuer is Severn Trent) the Issuer or a Subsidiary of the Issuer (not, in any case, being an Excluded Subsidiary)); or (b) an order is made in respect of Severn Trent Water Limited pursuant to section 24 of the Water Industry Act 1991; or
- (v) If the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary stops or threatens to stop payment generally or ceases or threatens to cease to carry on its business or a substantial part of its business (except, in the case of a Material Subsidiary, a cessation or threatened cessation for the purpose of a reconstruction or amalgamation on the terms of which have previously been approved in writing by the Trustee, or in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Subsidiary to (where the Issuer is STUF) the Guarantor, the Issuer or another Subsidiary of the Guarantor or (where the Issuer is Severn Trent) the

Issuer or a Subsidiary of the Issuer (not, in any case, being an Excluded Subsidiary) or which is not material in the context of the Group as a whole); or

- (vi) if an encumbrancer takes possession or an administrative or other receiver or manager is appointed of the whole or any material part of the undertaking or assets of the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary (where, in the case of a Material Subsidiary, such undertaking or assets or part thereof is or are material in the context of the Group as a whole) or if a distress, execution or any similar proceeding is levied or enforced upon or sued out against the whole or any material part of the property of the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary (where, in the case of a Material Subsidiary, such property or part thereof is material in the context of the Group as a whole) and in any such case is not removed, paid out or discharged within 21 days (or such longer period as the Trustee may approve); or
- (vii) if the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary is deemed for the purpose of any law to be unable to pay its debts, or the value of the assets of the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary otherwise becomes, or is determined by any competent court or other authority to be, insolvent, or suspends making payments (whether of principal or interest) in respect of any class of its debts or announces an intention to do so or a moratorium is declared in respect of any of the indebtedness of the Issuer (where the Issuer is STUF), the Guarantor or any Material Subsidiary; or
- (viii) if any kind of composition, scheme of arrangement, compromise or other similar arrangement involving the Issuer, (where the Issuer is STUF) the Guarantor or any Material Subsidiary and its creditors generally (or any class of such creditors) is entered into or made (except a composition, scheme of arrangement, compromise or other similar arrangement for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee); or
- (ix) where the Issuer is STUF, the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

and, in the case of the happening of any of the Events of Default referred to in paragraph (ii) above and, in relation to a Material Subsidiary, paragraphs (iii) to (viii) inclusive above, the same has been certified in writing by the Trustee to the Issuer and (where the Issuer is STUF) the Guarantor to be in its opinion materially prejudicial to the interests of the Noteholders.

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer or (where the Issuer is STUF) the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor (if applicable) unless the Trustee, having become bound so to proceed, (i) fails so to do within a reasonable period or (ii) is unable for any reason so to do, and the failure or inability shall be continuing.

(b) *Definitions*

In these Terms and Conditions:

**"Material Subsidiary"** means (A) if the Issuer is Severn Trent, any Subsidiary of the Issuer or (B) if the Issuer is STUF, any Subsidiary of the Guarantor (but excluding STUF) but excluding in each case an Excluded Subsidiary:

- (i) whose profits on ordinary activities before tax or whose net assets (in each case consolidated in respect of a Subsidiary which itself has Subsidiaries) and in each case attributable to (where the Issuer is Severn Trent) the Issuer or (where the Issuer is STUF) the Guarantor, all as shown in the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary represent 10 per cent. or more of:
  - (A) the profits on ordinary activities before tax or, as the case may be, net assets of (where the Issuer is Severn Trent) the Issuer or (where the Issuer is STUF) the Guarantor all as shown in the latest audited accounts of (where the Issuer is Severn Trent) the Issuer or (where the Issuer is STUF) the Guarantor; or
  - (B) (if audited consolidated accounts of (where the Issuer is Severn Trent) the Issuer and its Subsidiaries or (where the Issuer is STUF) the Guarantor and its Subsidiaries are prepared) the consolidated profits on ordinary activities before tax or, as the case may be, consolidated net assets (in each case attributable to the shareholders of (where the Issuer is Severn Trent) the Issuer or (where the Issuer is STUF) the Guarantor of (where the Issuer is Severn Trent) the Issuer and its Subsidiaries or (where the Issuer is STUF) the Guarantor and its Subsidiaries (other than, in any case, Excluded Subsidiaries) all as shown in the latest audited consolidated accounts of (where the Issuer is Severn Trent) the Issuer and its Subsidiaries or (where the Issuer is STUF) the Guarantor and its Subsidiaries; or
- (ii) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary but shall cease to be a Material Subsidiary under this subparagraph (b) (but without prejudice to the provisions of subparagraph (a) above) upon publication of its next audited accounts.

A certificate addressed to the Trustee and signed by two directors of the Issuer (where the Issuer is Severn Trent) or two directors of the Guarantor (where the Issuer is STUF) confirming that a Subsidiary is or is not or was or was not at any particular time or throughout any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties and the Trustee shall be entitled to rely on such certificate (without inquiry and without liability to any person) as sufficient evidence thereof; and

**"Moneys Borrowed"** means: (a) borrowed moneys; (b) liabilities under any bond, note, bill, debenture, loan stock or other security not for the time being beneficially owned by any member of the Group, in each case issued (i) as consideration for assets or services (but excluding such liabilities incurred in relation to the acquisition of assets or services in the ordinary course of trading) or (ii) for cash; and (c) liabilities under acceptance credit facilities, but shall not in the case of (a), (b) or (c) include Project Finance Indebtedness.

## 11. Replacement of Notes, Coupons and Talons

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.



## 12. Paying Agents

The initial Paying Agents are set out above.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents and approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on the London Stock Exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the London Stock Exchange; and
- (c) the Issuer undertakes that, in the event that it or the Guarantor (where applicable) would (but for Condition 8(a)) be obliged to pay additional amounts on or in respect of any Note or Coupon pursuant to Condition 8 by virtue of such Note or Coupon being presented for payment in the United Kingdom, it will appoint and at all times thereafter maintain a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and if applicable, the Guarantor and, in certain circumstances described therein, the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor Paying Agent.

## 13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

## 14. Notices

All notices regarding the Notes or Coupons will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as aforesaid is not practicable, notice shall be given in such other manner and shall be deemed to have been given on such date as the Issuer, the Trustee and the Agent agree.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes have been admitted to trading on the London Stock Exchange's regulated market or have been admitted to the Official List and the rules of the London Stock Exchange so require, such notice will be published in a daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes is represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

#### **15. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders (including at a physical location or by means of any electronic platform (such as conference call or videoconference) or a combination of such methods) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, these Terms and Conditions, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer or (where the Issuer is STUF) the Guarantor at the request of Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, these Terms and Conditions, the Coupons and the Trust Deed (including, as set out therein, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than three-quarters in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-quarter in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths of the nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths of the nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification of the Notes or these Terms and Conditions, the Coupons or the Trust Deed which is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes or these Terms and Conditions, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven.

In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments or Benchmark Replacement Conforming Changes in the circumstances and as otherwise set out in Condition 4(b)(xi) without the consent of the Noteholders or Couponholders. Any such modification, waiver or authorisation shall be binding on the Noteholders and Couponholders and, unless otherwise agreed by the Trustee, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

The Trustee may also agree, without the consent of the Noteholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be

treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution under Condition 18), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) 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 subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuers, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

Any such modification, waiver, authorisation, determination or substitution under Condition 18 shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

#### **16. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of other Series in certain circumstances where the Trustee so decides.

#### **17. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person by virtue of the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

#### **18. Substitution**

The Trustee may agree, without the consent of the Noteholders or Couponholders, to the substitution at any time or times of:

- (a) where the Issuer is STUF (i) the Guarantor or (ii) any successor company of the Issuer or the Guarantor or (iii) any other Subsidiary (other than an Excluded Subsidiary) of the Guarantor or any such successor company or (iv) any holding company of the Guarantor or any such successor company; and
- (b) where the Issuer is Severn Trent (i) any successor company of the Issuer or (ii) any Subsidiary (other than an Excluded Subsidiary) of the Issuer or any such successor company or (iii) any holding company of the Issuer or any such successor company,

as the principal debtor under the Trust Deed and the Notes. Such agreement shall also be subject to the relevant provisions of the Trust Deed, including the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and (except, where the Issuer is STUF, where the Guarantor or any such successor company of the Guarantor is the new principal debtor and, where the Issuer is Severn Trent, where the Issuer or any such successor company of the Issuer is the new principal debtor) the irrevocable and unconditional guarantee in respect of the Notes by, where the Issuer is STUF, the Guarantor or any such successor company of the Guarantor or, where the Issuer is Severn Trent, the Issuer or any such successor company of the Issuer.

Where the Issuer is STUF, the Trustee may also agree, without the consent of the Noteholders or the Couponholders, to the substitution at any time or times of (i) any successor company of

the Guarantor or (ii) a Subsidiary (other than an Excluded Subsidiary) of the Guarantor acceptable to the Trustee as the guarantor under the Trust Deed and of the Notes, in each case in place of the Guarantor. Such agreement shall be subject to the relevant provisions of the Trust Deed, including the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and such successor company or Subsidiary having the benefit of the Appointment held by the Guarantor.

In the case of any proposed substitution, the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons and/or the Trust Deed provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders.

#### **19. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (i) to enter into business transactions with the Issuers and the Guarantor and any of the Issuer's or the Guarantor's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and the Guarantor and any of the Issuer's or the Guarantor's other Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or the Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### **20. Governing Law**

- (a) The Trust Deed, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) The Issuer and (if the Issuer is STUF) the Guarantor each irrevocably agrees, for the benefit of the Trustee, the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and accordingly submits to the exclusive jurisdiction of the English courts.
- (c) The Issuer and (if the Issuer is STUF) the Guarantor each waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders and the Couponholders may take any suit, action or proceedings (together referred to as "**Proceedings**") arising out of or in connection with the Trust Deed, the Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with them) against the Issuer and (if the Issuer is STUF) the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

## USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Group (as defined in the "*Terms and Conditions of the Notes*") for its general corporate purposes. If, in respect of any particular issue of Notes there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

### Sustainable Notes

Where the applicable Final Terms for any Tranche of Notes indicate (including under '*Reasons for the offer*' in Part B of such Final Terms) that such Notes are intended to be issued as Sustainable Notes, the Issuers and the Guarantor intend that the allocation of the net proceeds from such issue of Notes (or an amount equal thereto) will be to the financing and/or refinancing of assets and expenditures in accordance with the Group's Sustainable Finance Framework (as further described in the section of this Prospectus entitled "*Sustainable Finance Framework*").

The Issuers and the Guarantor intend that the net proceeds arising from the issuance of such Sustainable Notes (or an amount equal thereto) will be appropriately managed by the Group's treasury function, and will be wholly allocated to finance, refinance or invest in Eligible Sustainable Investments (as defined in the section of this Prospectus entitled "*Sustainable Finance Framework*"). Where any proceeds (or an amount equal thereto) cannot be initially allocated to Eligible Sustainable Investments, the Issuers and the Guarantor intend that the funds will be held or deposited in accordance with the Group's treasury policy until allocation to Eligible Sustainable Investments.

More information regarding reporting in respect of Sustainable Notes and the second party opinion can be found in the section of this Prospectus entitled "*Sustainable Finance Framework*".

Prospective investors should note that the Sustainable Finance Framework and the second party opinion may be modified, supplemented or replaced from time to time. Accordingly, the nature and range of Eligible Sustainable Investments and the Group's processes for selecting them, and the manner in which the Group elects to invest the net proceeds of issue of any Sustainable Notes (or amounts equivalent thereto) and to monitor and report on any such investments, may change during the term of any Sustainable Notes.

## SUSTAINABLE FINANCE FRAMEWORK

In connection with the issuance of Sustainable Notes under the Programme, the Group has published a sustainable finance framework which follows the guidelines specified in the June 2021 edition of the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as published by the International Capital Market Association (ICMA) and the Green Loan Principles as published by the Loan Market Association in February 2021 (the "**Sustainable Finance Framework**").

The Group intends to use the Sustainable Finance Framework to raise finance in a variety of forms and the Issuers and the Guarantor intend to allocate an amount equal to the net proceeds of any issue of Sustainable Note to finance new and/or refinance existing Eligible Sustainable Investments (as defined below).

"**Eligible Sustainable Investments**" are investments which fall within one or several Social Eligible Categories and/or Green Eligible Categories (each as defined below).

Assets and expenditures falling within the Social Eligible Categories ("**Eligible Social Investments**") will be aggregated to form the eligible social portfolio ("**Eligible Social Portfolio**"). These are assets and expenditures which have a benefit for societies and communities and fall within social eligible categories, which include (but are not limited to): (i) affordable basic infrastructure and (ii) socioeconomic advancement and empowerment ("**Social Eligible Categories**").

Assets and expenditures falling within the Green Eligible Categories ("**Eligible Green Investments**", and together with Eligible Social Investments, "**Eligible Sustainable Investments**") will be aggregated to form the eligible green portfolio ("**Eligible Green Portfolio**"). These are assets and expenditures that have a benefit for the natural environment and fall within green eligible categories, which include (but are not limited to): (i) sustainable water and wastewater management, (ii) terrestrial and aquatic biodiversity, (iii) environmentally sustainable management of living natural resources and land use, (iv) pollution prevention and control, (v) climate change adaptation and mitigation, (vi) clean transportation, (vii) renewable energy, and (viii) energy efficiency ("**Green Eligible Categories**").

### Reporting in respect of Sustainable Notes

The principles to which the Sustainable Finance Framework is aligned encourage reporting on both the use of proceeds and the expected impacts at least on an annual basis until full allocation, with the first report to be published within a year after the launch of the finance raised under the Sustainable Finance Framework.

The Group intends to provide investors with information regarding the assets and expenditures financed and/or refinanced under the Sustainable Finance Framework, the amounts of proceeds (or amounts equal thereto) allocated, and the estimated impact of such investments in a combined report or a series of reports. Any material developments, such as modification of the Sustainable Finance Framework or allocation portfolio, will be reported at the next reporting period.

Reporting will be available through the Group's website: <https://www.severntrent.com/sustainability-strategy>.

### Second Party Opinion

The Sustainable Finance Framework has been reviewed by DNV. The Second Party Opinion prepared by DNV confirms the alignment of the Sustainable Finance Framework with the principles, and the Sustainable Finance Framework's strong environmental and social credentials.

The Second Party Opinion for the Sustainable Finance Framework can be found on the Group's website at <https://www.severntrent.com/content/dam/stw-plc/investors/Sustainable-Financing-Framework-Assessment-22-July-2022.pdf>.

The Sustainable Finance Framework has been published at: <https://www.severntrent.com/content/dam/stw-plc/investors/Sustainable-Finance-Framework-July-2022.pdf>.

For the avoidance of doubt, neither the Sustainable Finance Framework or any reporting in respect thereof on the Group's website, nor the Second Party Opinion, is incorporated in, nor do they form part of, this Prospectus.

## CLEARING AND SETTLEMENT

### **Book-Entry Ownership**

#### *Notes*

The relevant Issuer may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Notes. A Temporary Global Note and/or a Permanent Global Note without coupons may be deposited with a Common Depository or Common Safekeeper, as the case may be, for Clearstream, Luxembourg and/or Euroclear or an alternative clearing system as agreed between the relevant Issuer and Dealer. Transfers of interests in such Temporary Global Notes or Permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or, if appropriate, the alternative clearing system. Each Global Note deposited with a common depository or common safekeeper, as the case may be, on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code.



## DESCRIPTION OF SEVERN TRENT PLC

Severn Trent Plc ("**Severn Trent**") was incorporated as a public limited company with limited liability in England and Wales on 1 April 1989 under the Companies Act 1985 with registered number 2366619. The address of Severn Trent's registered office is the Severn Trent Centre, 2 St John's Street, Coventry, United Kingdom, CV1 2LZ and the telephone number of the registered office is +44(0)800 783 4444. It is the ultimate holding company of Severn Trent Water Limited ("**STWL**") and the ultimate holding company of Severn Trent Utilities Finance Plc ("**STUF**"). Severn Trent is the holding company of the Severn Trent group of companies (comprising Severn Trent and its subsidiaries) (the "**Group**") and its ordinary shares are listed on the Premium Listing segment of the Official List of the FCA and admitted to trading on London Stock Exchange plc's main market.

Severn Trent was listed on the London Stock Exchange in December 1989, along with nine other water and sewerage companies, as part of the United Kingdom government's privatisation programme for the water industry in England and Wales. Severn Trent provides water and wastewater services in Central England and parts of Wales through its wholly owned subsidiary, STWL.

The Group comprises two main business divisions: (i) "Regulated Water and Waste Water" which includes the wholesale water and waste water activities of the Group's regulated businesses, STWL and Hafren Dyfrdwy and its retail services to domestic customers (see "*Description of Severn Trent Water Limited*"); and (ii) Severn Trent Business Services ("**STBS**") which focuses on Green Power, Operating Services and Property Development in the UK (see below "*Severn Trent Business Services*"). Details of the principal operating subsidiaries are set out at Note 43 to the audited annual financial statements of Severn Trent for the financial year ended 31 March 2023. It should be noted that the Group's non-regulated businesses are, as a whole, inherently more exposed to the economic cycle than its Regulated Water and Waste Water division. The turnover for the Group is primarily derived from these two main business divisions and, for the year ending 31 March 2023, was £2,165.1 million with the profit before interest and tax ("**PBIT**") being £508.8 million. This turnover consisted of £1,995.4 million for the Regulated Water and Waste Water reportable segment, £177.1 million for the STBS reportable segment and £1.1 million for corporate and other activities, offset by £8.5 million consolidation adjustments. PBIT consisted of £467.5 million for the Regulated Water and Waste Water reportable segment, £49.2 million for the STBS reportable segment and £0.1 million for consolidation adjustment, offset by an £8.0 million loss for corporate and other activities. As at 31 March 2023, the issued share capital of Severn Trent is £249.1 million divided into 254,425,641 ordinary shares of 97<sup>17/19</sup> pence, each of which is fully paid.

In July 2020, Ofwat, Defra, the Environment Agency, the Drinking Water Inspectorate and the Consumer Council for Water invited English water companies to play their part in the green economic recovery from COVID-19.

On 31 January 2021, STWL submitted proposals, which if approved, would enhance the natural environment whilst creating jobs in the Midlands and drive long-term sustainable benefits for customers and communities in the Severn Trent region.

Following its review process, Ofwat endorsed all six projects and announced on 17 May 2021 an award to STWL of £566 million (in 2017/2018 prices) (equivalent to around £634 million in nominal prices). Collectively, the projects support the wider national agenda on climate change and the need for greater water supply security. When complete, they will support long-term growth through decarbonising the supply of water, accelerating environmental improvements in the STWL region, creating bathing quality rivers, replacing lead supply pipes, building a sustainable flood-resilient community, and installing smart meters for customers.

On 19 May 2021, Severn Trent announced a non-pre-emptive placing through the issue of new ordinary shares of 97<sup>17/19</sup> pence each in the capital of Severn Trent. The placing and subscriptions from retail investors and certain members of the Board and Executive Management Team resulted in 10,420,000 new ordinary shares raising gross proceeds of approximately £250 million.

On 8 February 2023, Severn Trent announced Severn Trent Green Power's acquisition of Andigestion Ltd, which operates two food waste anaerobic digestion plants in Devon and Gloucestershire. This will bring an additional 45GWh per annum of energy generation, increasing

Severn Trent Green Power's generation by 17 per cent. per year based on financial year 2023 actual generation. The acquisition is subject to regulatory clearance.

Severn Trent's objects and purposes are not restricted by its Articles of Association.

### **Severn Trent Business Services**

STBS comprises the Group's core non-regulated businesses operating in the UK and comprises four parts:

- Green Power - Severn Trent Green Power generates renewable energy from anaerobic digestion, crop, hydropower, wind turbines and solar technology.
- Operating Services - Operating Services provides contract services to municipal and industrial clients in the UK and the UK Ministry of Defence for design, build and operation of water and waste water treatment facilities and networks, and services to developers.
- Property Development - Property Development manages the sale of surplus land.
- Other - Other businesses include the Group's affinity and searches businesses.

## **Governance**

### ***The Board***

Details of the board of Directors of Severn Trent are set out below. There are regular scheduled meetings of the board and of its permanent committees throughout the year and any additional meetings and ad hoc committee meetings are convened as and when required.

### ***Directors of Severn Trent***

The Directors of Severn Trent, their functions within Severn Trent and their principal activities outside the Group are as follows:

<i>Name</i>	<i>Function within Severn Trent</i>	<i>Principal activities outside the Group</i>
Kevin Beeston	Senior Independent Non-Executive Director	Chair of Turnstone Equityco 1 Limited (trading as Integrated Dental Holdings)
Helen Miles	Chief Financial Officer	Non-Executive Director of Breedon Group Plc
John Coghlan	Independent Non-Executive Director	Non-Executive Director of Landmark Group Holdings Limited Vice Chair and Senior Non-Executive Independent Director of Clarion Housing Group External Board Adviser to Mace Group Limited
Christine Hodgson CBE	Independent Non-Executive Director and Chair	Chair of Newton Group Holdings Limited Senior Pro-Chancellor and Chair of Loughborough University Council

<i>Name</i>	<i>Function within Severn Trent</i>	<i>Principal activities outside the Group</i>
		External Board Advisor to Spencer Stuart Management Consultants NV
Olivia Garfield CBE	Chief Executive	<p>Director of Water Plus Limited – joint venture with United Utilities</p> <p>Member of The 30% Club</p> <p>Non-Executive Director of Water UK</p> <p>Non-Executive Director of Brookfield Asset Management Limited</p> <p>Member of the Takeover Panel and its Hearings Committee and Nomination Committee</p> <p>Chair of the Council for Sustainable Business</p> <p>Member of the UK Investment Council</p> <p>Chair of the West Midlands Regional Business Council</p>
Sharmila Nebhrajani OBE	Independent Non-Executive Director	<p>Chairman of National Institute of Health and Care Excellence</p> <p>Non-Executive Director of ITV Plc</p> <p>Non-Executive Director of Halma Plc</p> <p>Non-Executive Director of Coutts &amp; Company</p> <p>Member of Council for University of Oxford</p>
Tom Delay CBE	Independent Non-Executive Director	Chief Executive of the Carbon Trust
Gillian Sheldon	Independent Non-Executive Director	<p>Member of the Salesforce European Advisory Board</p> <p>Senior Advisor at Credit Suisse – Investment Banking Division</p>

<i>Name</i>	<i>Function within Severn Trent</i>	<i>Principal activities outside the Group</i>
		Corporate Board Member of the Royal Academy
		Board Member of Business LDN
Sarah Legg	Independent Non-Executive Director	Non-Executive Director of Lloyds Banking Group Plc Trustee of Lloyds Bank Foundation for England and Wales Chair of the Campaign Advisory Board at King's College, Cambridge University Board Member of the Audit Committee Chairs' Independent Forum

The business address of each of the Directors above is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ United Kingdom (the registered and head office of Severn Trent). The telephone number of Severn Trent's registered office is +44 (0)800 783 4444.

The Board has a full documented process in place to identify and if required authorise situational conflicts in accordance with the provisions of the Companies Act 2006 and under Severn Trent's Articles of Association. An annual review of conflicts is carried out with a simultaneous review of the Severn Trent Gifts and Hospitality Register, and is incorporated into the year-end process of verifying directors' interests.

There are no potential conflicts of interest arising between any duties to Severn Trent or STWL of the Directors of Severn Trent and STWL and their private interests and or other duties.

## DESCRIPTION OF SEVERN TRENT UTILITIES FINANCE PLC

Severn Trent Utilities Finance Plc ("**STUF**") was incorporated under the name Severn Trent Water Utilities Finance Plc as a public limited company with limited liability in England and Wales on 25 March 1994 under the Companies Act 1985 with registered number 2914860. The company changed its name to Severn Trent Utilities Finance Plc with effect from 20 June 2007. STUF is a wholly owned subsidiary of STWL. The ultimate holding company of both STUF and STWL is Severn Trent.

As at the date of this Prospectus, the issued share capital of STUF is £50,000 divided into 50,000 ordinary shares of £1, each of which is fully paid.

STUF was incorporated for the purpose of arranging finance for STWL and its subsidiaries by the issuing of bonds and on-lending the proceeds of any such issue to STWL and its subsidiaries. STUF has no subsidiaries.

### Directors of STUF

The Directors of STUF, their functions within STUF and the Group and their principal activities outside the Group where these are significant with respect to the Group are as follows:

<i>Name</i>	<i>Function within STUF</i>	<i>Other functions within the Group and principal activities outside the Group</i>
Hannah Woodall-Pagan	Director	Group Company Secretary
Robert McPheely	Director	Financial Controller
Adam Stephens	Director	Group Treasurer

The business address of each of the above is Severn Trent Centre, 2 St John's Street, Coventry, CV1 2LZ United Kingdom (the registered and head office of STUF). The telephone number of STUF's registered office is +44 (0) 800 783 4444.

There are no potential conflicts of interest arising between any duties to STUF of the Directors of STUF and their private interests.

## DESCRIPTION OF SEVERN TRENT WATER LIMITED

Severn Trent Water Limited ("**STWL**") was incorporated on 1 April 1989 with limited liability in England and Wales under the Companies Act 1985 with registered number 2366686. It was established for the purpose of assuming the business carried on by the Severn Trent Water Authority prior to the privatisation of the water industry in England and Wales. Its principal business is the provision of water supply and sewerage services. STWL is regulated under the Water Industry Act 1991. STWL is the wholly-owned principal operating subsidiary of Severn Trent. STUF is a wholly owned subsidiary of STWL.

On 15 February 2017 STWL completed the acquisition of Dee Valley Water, a water-only company which operates in Wrexham, Chester and the surrounding areas and served around 125,000 properties.

On 23 March 2018, Ofwat announced a consultation under section 103 of the Water Industry Act 1991 on a proposed modification of the STWL and Dee Valley Water licences. The modification, came into effect from 1 July 2018 and resulted in a re-alignment of the Group's English and Welsh licences along national boundaries, with English customers served by STWL and Welsh customers served by Dee Valley Water. The licence was also amended to enable Dee Valley Water to act as a Water and Sewerage undertaker to its customers in Powys.

From 1 July 2018, the Welsh business, Dee Valley Water was rebranded as Hafren Dyfrdwy. As part of the change, the licences of the two companies (STWL and Hafren Dyfrdwy Cyfyngedig) have been updated to reflect Ofwat updated licence conditions, including up-to-date financial and regulatory ring-fencing conditions.

On 31 March 2022 STWL transferred through a dividend in specie the entire issued share capital of Hafren Dyfrdwy Cyfyngedig to Severn Trent Draycote Limited, the immediate parent undertaking of STWL.

### Region

STWL is one of the eleven regulated water and sewerage businesses in England and Wales (each a "**WASC**"), covering a region which stretches from the Bristol Channel to the Humber estuary. This region includes the cities of Birmingham, Coventry, Derby, Leicester, Nottingham, Stoke-on-Trent, Worcester and Gloucester. STWL provides water and wastewater services to 4.8 million households and businesses and in the year ended 31 March 2023 supplied an average of 2.0 billion litres of drinking water per day and treated around 2.8 billion litres of waste water per day. South Staffordshire Water Plc supplies a part of the region's water requirements.

### Purpose and Values

The Group's social purpose is to deliver better outcomes for all stakeholders – customers, colleagues, investors, wider society and the environment.

The Group's purpose is articulated as being "to take care of one of life's essentials". This is underpinned by four values – 'Having Courage', 'Embracing Curiosity', 'Showing Care' and 'Taking Pride'.

STWL focuses on the delivery of nine outcomes which were designed in collaboration with customers:

1. A company you can trust
2. A positive difference
3. Lowest possible bills
4. A service for everyone
5. An outstanding experience
6. Good to drink
7. Water always there
8. Waste water safely taken away
9. A thriving environment

## **The water and sewerage industry**

The water and sewerage industry in England and Wales delivers services to over 50 million household and non-household consumers. There are 17 regional suppliers, 11 of which – including STWL and Hafren Dyfrdwy – provide water and sewerage services. The other six suppliers provide water services only.

The UK water industry was privatised in 1989 and has made significant progress through innovation, greater efficiency and a substantial increase in investment.

Despite the sector's progress since privatisation, it still faces substantial challenges which need to be met while still keeping bills affordable for customers. In particular:

- The UK is experiencing more extreme weather. This means STWL needs to build additional resilience, so it can cope with increased flooding and periods of drought.
- The UK's population is growing, which is adding to the pressure on water resources and STWL's networks. STWL serves 4.8 million households and businesses. STWL needs to ensure it has the right infrastructure and resources in place to meet the needs of its customers.
- STWL's customers expect continuing improvements in levels of service in terms of quality levels and response times while also expecting their bills to remain stable or reduce, making it ever more challenging for all organisations to meet their customers' expectations.
- The water industry has to compete for global capital to invest in the required infrastructure and improved service levels. The sector must remain an attractive investment opportunity for equity and debt investors.

River quality is a critical priority for the Group's stakeholders. The region's river health is not just essential to the communities being served, but also to the success of the business. STWL is committed to making a positive impact on the environment and recognises that, as a sector, there is more that is needed to help the region's rivers be the healthiest they can be. In March 2022, STWL announced its commitment to 'Get River Positive'; establishing five river pledges:

- 1) Ensure storm overflows and sewage treatment works do not harm rivers.
- 2) Create more opportunities for everyone to enjoy our regions rivers.
- 3) Support others to improve and care for rivers.
- 4) Enhance our rivers and create new habitats so wildlife can thrive.
- 5) Open and transparent about our performance and our plans.

These five pledges are a fundamental part of the Group's ongoing commitment to drive improvement in the health of the region's rivers.

## **Regulatory Environment**

STWL is a regulated business. The water industry works within 5 year regulatory planning cycles, known as Asset Management Plan ("**AMP**") periods. The current AMP period, AMP7, runs from 1 April 2020 to 31 March 2025.

The industry operates within the following policy and regulatory framework:

- The UK Government sets the overall water and sewerage policy framework. This is done by the Department for Environment, Food and Rural Affairs (Defra) in England, and by the Welsh Government in Wales.
- Ofwat is the economic regulator, which means that it sets limits on the prices water companies can charge their customers in each AMP period, and makes sure that they carry out their functions properly and are appropriately financed.
- The DWI is the drinking water quality regulator and makes sure water companies comply with the water quality regulations.
- The EA is the environmental regulator in England. It controls water abstraction, river pollution and flooding.

- Natural Resources Wales is the environmental regulator in Wales. It makes sure that the country's natural resources are sustainably maintained, enhanced and used.

STWL and other water companies, also work with other agencies, including:

- Natural England, which protects and improves England's natural environment;
- The Consumer Council for Water (CCW), which represents the industry's customers;
- The Health and Safety Executive helps the Group to reduce the health and safety risks faced by its employees, customers and visitors; and
- Ofgem, the economic regulator of gas and electricity markets whose remit extends to renewable energy generation.

### The current regulatory regime in AMP7

During 2019, Ofwat concluded its periodic price review for AMP7, which runs from April 2020 to March 2025 ("**PR19**"). As part of its periodic AMP reviews, Ofwat sets the revenues a water company can recover from its customers and which are sufficient to allow the companies to finance their operations and earn a reasonable return on capital.

PR19 focussed on four key themes – customer service, affordability, resilience and innovation – which led to the following developments and changes:

- Customer engagement, with the involvement of customers in the development of companies' business plans;
- Continued and extended use of Outcome Delivery Incentives ("**ODIs**");
- Transition from the indexation of customer bills and companies' assets using the retail price index (RPI) to the consumer price index including owner occupiers' housing costs (CPIH);
- Separate price controls for bioresources and water resources to facilitate the development of competition in these areas;
- Use of indexation mechanism for the cost of new debt, whereby the cost of new debt is indexed against the iBoxx indices for non-financial companies rated A and BBB with a tenor of greater than 10 years; and
- Adoption of principles as set out in the July 2018 position statement 'Putting the sector in balance' to encourage companies to take the interests of customers into account when determining financial structure. These include the sharing of financing gains from high gearing (greater than 70 per cent.) with customers and alignment of dividend and executive pay policies to customer outcomes.

STWL's approved AMP7 business plan provides for a basic wholesale weighted average real cost of capital of 2.92 per cent. (CPI-stripped) and net profit margins of 1 per cent. for household retail. This equates to a base return on regulatory equity ("**RoRE**") of 3.9 per cent., before incentives based on Ofwat's view of a notional company's capital structure.

Key features of the regulatory regime for AMP7 include:

- **Continued flexibility to spend money where it is most needed.** Since PR14, Ofwat has considered expenditure on a total expenditure ("**Totex**") basis. Previously, approved expenditure was split between capex and opex, but came with the risk that the ability to earn a return on capex could incentivise companies to be risk averse and seek capex solutions even when opex might be more efficient. The Totex approach, which Ofwat has retained for AMP7, incentivises companies to outperform the expenditure limits through a gain-sharing incentive mechanism that allows companies to retain a proportion of any efficiency gains – 50 per cent. in the case of STWL – while allowing customers to benefit from lower bills in the future.
- **Aligning the interests of customers and investors.** In AMP7, company performance is measured against metrics known as ODIs. While failure to achieve targets can lead to penalties, many of these ODIs also include incentives for companies to outperform. Ofwat encouraged companies to set high level outcomes and performance commitments, in



consultation with their customers and stakeholders. ODIs are based on what the customer engagement told STWL was important to them, outperformance means that both customers and companies benefit. Ofwat has also introduced a benefit-sharing mechanism on ODIs, whereby companies that earn more than 3 per cent. of RoRE from ODI rewards would see any additional rewards above this threshold shared 50:50 with customers.

- **A better environment.** Several ODIs are designed to deliver important environmental improvements – such as better river water quality and improved biodiversity – which focuses companies on achieving their environmental commitments over the next five years.
- **Greater efficiency for customers.** While customers must be willing and able to pay for the costs of the programmes STWL will deliver during AMP7, companies are expected to deliver rising standards with much greater cost efficiency. Water companies are also required to do even more to help people who struggle to pay their bills, for example by improving the social tariffs they offer.

### **The future regulatory regime – AMP8**

In December 2022, Ofwat published its final methodology for PR24. Overall, PR24 represents an evolution from PR19, focusing on many of the same themes. Ofwat is retaining its base cost models and rules for enhancement expenditure claims, which STWL is familiar with.

Ofwat has moved to a far higher proportion of common ODIs, set by Ofwat, compared with PR19. 23 of companies' 26 ODIs will have to be common at PR24. STWL has experience with measuring and performing against the vast majority of the common ODIs. Ofwat will be assessing companies' plans against five tests: data quality; long-term delivery strategy; customer engagement & affordability; costs and outcomes; and risk and return. Water companies must submit their business plans to Ofwat by 2 October 2023. A significant challenge for PR24 is likely to be the expected size of companies' AMP8 environmental investment programmes and the associated bill impact. This is an issue for the Government and the Environment Agency to decide. Draft determinations are due in May/June 2024 and final determinations are expected in December 2024.

### **Licence Appointment Conditions**

STWL and Hafren Dyfrdwy both hold appointments granted by the Secretary of State for the Environment, Food & Rural Affairs (the "**Secretary of State**") as a water and sewerage undertaker pursuant to the Water Industry Act 1991 (the "**Water Act**"). Either appointment (the "**Appointments**") may be terminated on 25 years' notice (although they may be terminated or transferred prior to the end of that period in certain circumstances which are specified in the Water Industry Act 1991 or in the Appointment).

The Appointments are subject to a range of conditions including:

- provisions relating to the operation of price control (see the section entitled "*The current regulatory regime in AMP7*" above);
- a prohibition on undue discrimination or undue preference in setting charges for water supply or sewerage services;
- provisions to ensure that the financial affairs of the regulated business can be separately assessed and reported on;
- obligations on an appointee to ensure that it has adequate management resources and financial resources and facilities to enable it to carry out the regulated activities under both licences;
- restrictions on the disposal of land and an obligation on the licence holders to ensure, so far as 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 purposes of such an order could be achieved;
- provisions on the payment of fees and the supply of information to Ofwat;

- a provision allowing the licence to be terminated on 25 years' notice;
- provisions relating to water supply licensing competition including those requiring compliance with an access code and Ofwat's "Customer Transfer Protocol"; and
- a requirement that transactions with associated companies must be on an arm's length basis without cross subsidy.

Appointment conditions can be modified by Ofwat, either with the licence holder's agreement or following reference to the Competition and Markets Authority ("**CMA**") for a decision on public interest grounds. Appointment modifications can also result, in certain circumstances, from a merger or market investigation reference to the CMA.

In March 2023 Ofwat published a decision document setting out modifications to certain ring-fencing provisions in each water company's Instrument of Appointment (licence). The changes included:

- modifying the cash lock-up licence conditions to raise the cash lock-up trigger to BBB/Baa2 with negative outlook from BBB-/Baa3 with negative outlook, effective from 1 April 2025;
- 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; and
- modifying the licence requirements to require water companies to maintain investment grade issuer credit ratings with at least two credit rating agencies and to notify Ofwat of changes to credit ratings.

#### *Interim Determinations and 'Shipwreck' Clauses*

There are certain circumstances where, provided a specified materiality threshold is exceeded, the appointee can request and/or Ofwat can instigate a re-setting of the price cap between the periodic price reviews. This is known as an Interim Determination of K ("**IDOK**").

The circumstances in which an IDOK is available include changes in certain legal or regulatory obligations as well as changes in costs relating to issues specified at the time of the price review ("**notified items**"). There are no notified items for PR19 under which a company could trigger an IDOK.

An appointee can appeal to the CMA with respect to any price limits which are set by Ofwat pursuant to a periodic review or IDOK. The CMA will determine any such appeal in accordance with the same principles as apply to Ofwat in setting price limits. For PR19, STWL chose to accept Ofwat's final determination and not to appeal to the CMA.

The Appointments also include a 'shipwreck' or substantial effect clause, which allows either licence holder's price limits to be revised when events beyond their control have a significant effect on its business (equivalent over five years to more than 20 per cent. of annual revenue).

#### **Enforcement and Special Administration Regime**

The Water Act 2003 gives Ofwat the power to impose financial penalties on the statutory undertaker which contravenes any condition of its Appointment or any of certain statutory requirements or fails to meet performance standards prescribed pursuant to the Water Industry Act 1991. Such penalties may be up to 10 per cent. of the undertaker's relevant regulated turnover.

Furthermore, where Ofwat is satisfied that an undertaker is in breach of a condition of its Appointment or certain statutory obligations, it has the power to secure compliance by means of an enforcement order. Failure to comply with an enforcement order can lead to court action by Ofwat for an injunction and claims for compensation by any person who suffers loss or damages as a result of the breach.

Alternatively, where actual or likely contravention of an enforcement order (or of one of the undertakers principal statutory duties under the Water Industry Act 1991) is so serious as to make it inappropriate for the undertaker to continue to hold its Appointment, the Secretary of State or, with his or her consent, Ofwat, may apply to the High Court for the appointment of a special administrator. A special administrator may also be appointed in other circumstances such as where the undertaker is, or is likely to be, unable to pay its debts.

A special administrator, who would have extensive functions similar to those of an administrator under the Insolvency Act 1986, but with certain important differences. The special administrator would be appointed only for the purposes of transferring as a going concern to one or more different water undertakers or sewerage undertakers as much of the business of the undertaker as necessary for the proper carrying out of its functions (the "**transfer purpose**") and pending the transfer, of carrying out those functions. Once the relevant provisions of the Flood and Water Management Act 2010 are brought into force, where an undertaker is placed in special administration on the grounds that it is, or is likely to be, unable to pay its debts, the special administrator will be required to seek to rescue the undertaker as a going concern (the "**rescue purpose**") rather than to transfer its business in accordance with the transfer purpose. However, the special administrator must pursue the transfer purpose instead of the rescue purpose where he thinks that a rescue is unlikely to be possible or that the objectives of a special administration order would be better achieved through a transfer.

If a special administration order were made in respect of STWL, it would be for the special administrator to agree the terms of the transfer of all or any of the business of STWL on behalf of STWL, subject to the provisions of the Water Industry Act 1991. Until another company has been appointed as an undertaker in its place and its appointment as a water undertaker or sewerage undertaker is terminated, an undertaker may not be wound-up, nor may an administrator under the Insolvency Act 1986 be appointed in respect of it.

During the period of a special administration order, an undertaker is managed in such a way as to achieve the purposes of such order and in a manner that seeks to protect the respective interests of members and creditors of the undertaker. However, the effect of other provisions of the Water Industry Act 1991 is ultimately to subordinate members' and creditors' rights in favour of the purposes of the special administration order.

### **Competition**

Under the Water Industry Act 1991, water and water and sewerage undertakers effectively have substantial monopolies within their appointed areas, although there was limited provision for competition; and there was a special merger regime applying to mergers between such undertakers which is additional to and more restrictive than the general United Kingdom merger control regime.

The Water Act 2003 provided for extending competition through new entrants. Water supply competition was opened up in December 2005, when very large non-household customers (those with an annual consumption of over 50 megalitres per year at each site) were allowed to choose their water supplier. Under this arrangement, the new water supplier would buy water directly from the regional water company and be allowed to use their network for this water supply.

In December 2011, this market was opened up further, with the threshold being reduced to five megalitres a year.

The Water Act 2014 reduced the water supply threshold to zero for non-household customers and also was expanded to include sewerage as well as water services. In April 2017 the non-household retail market was opened up to competition.

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 and to grant access to its sewerage system to other companies. 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.

The Water Act 2014 also paves the way for the future introduction of competition for certain parts of the upstream wholesale business (for example the input of raw or treated water into a water company's network or the removal of wastewater for treatment). The introduction of significant upstream markets is likely to be limited because the RCV relating to the assets/infrastructure for these markets is somewhat lower than the replacement cost. The challenge for competitors wanting to enter these markets is that they would face high costs in creating infrastructure and thereafter wouldn't be able to compete on price with those companies already in the market.

### **Environmental and Public Health Regulation**

The water and wastewater industry in the United Kingdom is subject to substantial domestic and EU regulation incorporated into UK law, placing significant statutory obligations on STWL with regard to, amongst other factors, the quality of treated water supplied, wastewater treatment and the effects of STWL's activities on the environment, biodiversity and human health and safety.

The ongoing development of such regulation could lead to additional obligations and restrictions being imposed on STWL and Hafren Dyfrdwy which may adversely impact its operations and increase operating costs and/or capital expenditure. This includes the UK Environment Act, which became law in 2021.

#### **Directors of STWL**

As part of the Group's strategy of focusing on water, all the current executive and non-executive Directors of STWL are appointed to identical positions in Severn Trent (see "*Description of Severn Trent Plc – Directors of Severn Trent*").

## TAXATION

### UNITED KINGDOM TAXATION

The comments below are based on the Issuers' understanding of current United Kingdom law and HM Revenue and Customs ("HMRC") published practice and describe only the United Kingdom withholding tax treatment of payments of principal and interest in respect of the Notes. They do not deal with any other United Kingdom taxation implications of acquiring, holding, or disposing of Notes. The comments apply only to persons who are the absolute beneficial owners of Notes and who are resident and (if individuals) domiciled in the United Kingdom for tax purposes and some aspects do not apply to certain classes of person (such as dealers and persons connected with the relevant Issuer for any tax purpose) to whom special rules may apply. The comments below are of a general nature only and the tax treatment for Noteholders may, depending upon the terms of the relevant tranche of Notes, differ from that below. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly advised to consult their own professional advisers.

#### Interest on the Notes

1. *UK Withholding tax*

Payments of interest by the Issuer on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes paid by the Issuer will be payable without withholding or deduction for or on account of United Kingdom tax by virtue of section 882 of the Income Tax Act 2007.

Interest on the Notes paid by the Issuer may also be paid without withholding or deduction on account of United Kingdom income tax where the maturity of the Notes is less than 365 days and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest paid by the Issuers on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.). This withholding obligation is subject to any direction to the contrary by HMRC where an applicable double taxation treaty provides for a lower rate of withholding (or for no tax to be withheld) in relation to a Noteholder.

2. *Payments by the Guarantor*

If the Guarantor makes any payments in respect of interest on the Notes such payments may be subject to withholding on account of United Kingdom tax at the basic rate (currently 20 per cent.), subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other relief that may apply. Such payments by the Guarantor may not be eligible for the exemptions from the obligation to withhold tax described in 1 above.

3. *Interpretations*

The references to "interest" in this section mean "interest" as understood in United Kingdom tax law. The statements in this section do not take account of any different definitions of "interest" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

### U.S. FOREIGN ACCOUNT TAX COMPLIANCE WITHHOLDING

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) 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 Issuers may be foreign financial institutions 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 the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of an Issuer). However, if additional Notes (as described under Condition 16), that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the "**Programme Agreement**") dated 26 July 2023 agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes". In the Programme Agreement, the Issuers (failing which, where the Issuer is STUF, the Guarantor) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **United States**

The Notes and the Guarantee have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US Treasury regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, US persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### **Prohibition of Sales to EEA Retail Investors**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes 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, 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 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.

### **Prohibition of Sales to UK Retail Investors**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes 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 United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of United Kingdom domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA.

#### **Other United Kingdom regulatory restrictions**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (a) 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 (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **Singapore**

Each Dealer has acknowledged, and each further Dealers appointed under the Programme will be required to acknowledge that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes 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 such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.



Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Any reference to the "**SFA**" is a reference to the Securities and Futures Act 2001 of Singapore as modified or amended from time to time and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

In connection with Section 309B(1)(c) of the SFA and the CMP Regulations 2018, the relevant Issuer has, unless otherwise specified before an offer of Notes, determined the classification of all Notes to be issued under the Programme as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **Belgium**

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

## **General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor or any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor or the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

## GENERAL INFORMATION

### Authorisation

The establishment, maintenance and operation of the Programme has been duly authorised by each of the Issuers and the Guarantor, most recently by resolutions passed at a meeting of the Boards of Directors of Severn Trent and STWL on 14 May 2021 and of STUF on 17 May 2021 and by resolutions of the Severn Trent Treasury Committee passed on 16 May 2023.

Each issue of Notes will be approved by the relevant Board of Directors or by the Severn Trent Treasury Committee (which has been duly authorised for such purpose by the Boards of Directors of Severn Trent, STWL and STUF).

### Listing of Notes

It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's main market will be admitted separately as and when issued, subject only to the issue of a Global Note or Global Notes initially representing the Notes of such Tranche. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange's main market. The admission to the Official List of the Programme in respect of the Notes is expected to be granted on or around 31 July 2023.

### Documents available

For the period of 12 months following the date of this Prospectus, copies of the following documents will be available for inspection on the Severn Trent website <https://www.severntrent.com/investors/debt-investors/>:

- (i) the memorandum and articles of association of each of the Issuers and the Guarantor;
- (ii) the Agency Agreement;
- (iii) the Trust Deed and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons (each as contained in the Trust Deed);
- (iv) a copy of this Prospectus; and
- (v) any future prospectuses and supplements, including Final Terms (other than a Final Terms relating to a Note which is neither admitted to trading on a regulated market situated or operating in the United Kingdom nor offered in the United Kingdom in circumstances where a Prospectus is required to be published under the UK Prospectus Regulation, which Final Terms will only be available for inspection by a holder of such Note at the registered office of the relevant Issuer and such holder must produce evidence satisfactory to the relevant Issuer as to its holding of such Notes and identity) to this Prospectus and any other documents incorporated herein or therein by reference.

Unless it is expressly referred to in the section entitled "Documents Incorporated by Reference", the information on the Issuers' website does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

## **Clearing Systems**

The Notes have been accepted for clearance and settlement through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records in connection therewith). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard de Roi, Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855, Luxembourg.

## **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

## **Significant or Material Change**

There has been no significant change in the financial position or financial performance of Severn Trent and its subsidiaries taken as a whole since 31 March 2023 and there has been no material adverse change in the prospects of Severn Trent since 31 March 2023.

There has been no significant change in the financial position or financial performance of STWL and its subsidiaries taken as a whole since 31 March 2023 and no material adverse change in the prospects of STWL since 31 March 2023.

There has been no significant change in the financial position or financial performance of STUF since 31 March 2023, and no material adverse change in the prospects of STUF since 31 March 2023.

## **Litigation**

There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which any of the Issuers or the Guarantor is aware) in the 12 months preceding the date of this document which may have or have had a significant effect on the financial position or profitability of Severn Trent, the Group, STWL, STWL and its subsidiaries taken as a whole or STUF.

## **Auditors**

The auditors of each of Severn Trent, STUF and STWL are Deloitte LLP. Deloitte LLP have audited the accounts of Severn Trent, STUF and STWL, without qualification, prepared (in the case of Severn Trent) in accordance with International Financial Reporting Standards as adopted by the United Kingdom and (in the case of STUF and STWL) in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), for the financial years ended 31 March 2023 and 31 March 2022.

The Trust Deed provides that the Trustee may rely on certificates or reports from, amongst others, the Auditors whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee in connection therewith contains any monetary or other limit on the liability of the Auditors.

## **Dealers transacting with the Issuers and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking, hedging transactions and/or commercial banking transactions with, and may perform services for the Issuers, the Guarantor and their respective affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers, the Guarantor and their respective 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 Issuers or the Issuers' respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers and Guarantor routinely hedge their credit exposure to the Issuers and / or the Guarantor 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 Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes 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.

### **Index-Linked Notes**

The RPI is a measure of inflation in the United Kingdom. The RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by households in the United Kingdom. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

The RPI is compiled by the United Kingdom Office of National Statistics ("**ONS**") using a large and representative selection of separate goods and services for which price movements are regularly measured throughout the United Kingdom.

CPI is a measure of inflation in the United Kingdom and is produced to international standards and is in line with European regulations. The CPI is the inflation measure which has been increasingly used by the Government and has been the basis of the Bank of England's target for inflation since December 2003. Approximately 180,000 separate price quotations are used each month in compiling CPI. It takes two or three weeks for the ONS to compile the index, so it publishes each month's CPI figure during the following month, i.e. the figure relating to January will be published in February.

CPIH is a measure of UK consumer price inflation that includes owner occupiers' housing costs ("**OOH**"). These are the costs of housing services associated with owning, maintaining and living in one's own home. OOH does not include costs such as utility bills, minor repairs and maintenance, which are already included in the main CPI index. CPIH uses an approach called rental equivalence to measure OOH. Rental equivalence uses the rent paid for an equivalent house as a proxy for the costs faced by an owner occupier. It takes two or three weeks for the ONS to compile the index, so it publishes each month's CPI figure during the following month, i.e. the figure relating to January will be published in February.

More information on RPI, CPI and CPIH, including past and current levels, can be found at the following website: <https://www.ons.gov.uk/economy/inflationandpriceindices>

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