YORKSHIRE WATER FINANCE PLC

(*incorporated with limited liability in England and Wales with registered number 11444372*)

£8,000,000,000

Multicurrency programme for the issuance of Guaranteed Bonds

financing

Yorkshire Water Services Limited

(*incorporated in England and Wales with limited liability with registered number 02366682*)

Prospectus Dated 11 July 2025

The payment of all amounts owing in respect of the bonds (the "**Bonds**") issued by Yorkshire Water Finance plc (the "**Issuer**") will be unconditionally and irrevocably guaranteed by Yorkshire Water Services Limited ("**YWS**" or "**Yorkshire Water**"), Yorkshire Water Services Holdings Limited ("**YWH**") and Yorkshire Water Services Finance Limited ("**YWSF**") as described herein. YWS, YWSF, the Issuer and YWH are together referred to herein as the "**Obligors**", and "**Obligor**" means any of them. YWH has no significant assets other than the shares in its wholly owned subsidiary, YWS.

Application has been made to the Financial Conduct Authority (the "**FCA**") under Part VI of the Financial Services and Markets Act 2000, as amended ("**FSMA**") for Bonds issued under the £8,000,000,000 multicurrency programme (the "**Programme**") during the period of twelve months after the date hereof, to be admitted to the official list of the FCA (the "**Official List**") and to The London Stock Exchange plc (the "**London Stock Exchange**") for such Bonds to be admitted to trading on the London Stock Exchange's Main Market (the "**Market**"). The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period.

Except where the context provides otherwise, references in this Prospectus to Bonds being "**listed**" (and all related references) shall mean that such Bonds have been admitted to trading on the Market and have been admitted to the Official List. The Market is a UK regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended (the "**EUWA**") ("**UK MiFIR**"). The Programme provides that Bonds will be listed on the London Stock Exchange.

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

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

For the avoidance of doubt, the Issuer may not as at the date of this Prospectus issue Wrapped Bonds pursuant to this Prospectus without issuing a supplemental prospectus.

Until the expiration of 40 days after the later of the commencement of the offering and the relevant Issue Date (the "**Exchange Date**"), beneficial interests in a Registered Global Note may be held only though Euroclear or Clearstream, Luxembourg. Interests in a Temporary Global Bond (as defined below) will be exchangeable, in whole or in part, for definitive securities in bearer form on or after the date 40 days after the later of the commencement of the offering and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership or to the effect that the holder is a U.S. person who purchased in a transaction that did not require registration under the Securities Act (as defined below) and as may be required by U.S. tax laws and regulations, as described in Chapter 8 "*The Bonds*" under "*Forms of the Bonds*". See Chapter 4 "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Arranger

NatWest

Dealers

Bank of China	Barclays	BNP PARIBAS
Lloyds Bank Corporate Markets	MUFG	NatWest
National Australia Bank Limited	RBC Capital Markets	SMBC

Under the Programme, the Issuer may, subject to all applicable legal and regulatory requirements, from time to time issue Bonds in bearer and/or registered form (respectively "**Bearer Bonds**" and "**Registered Bonds**"). Copies of each Final Terms or Drawdown Prospectus (as defined below) will be available (in the case of all Bonds) from the specified office set out below of Deutsche Trustee Company Limited as bond trustee (the "**Bond Trustee**"), (in the case of Bearer Bonds) from the specified office set out below of each of the Paying Agents (as defined below) and (in the case of Registered Bonds) from the specified office set out below of each of the Registrar and the Transfer Agent (each as defined below).

The maximum aggregate nominal amount of all Bonds from time to time Outstanding (as defined below) under the Programme will not exceed £8,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

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

Bonds issued by the Issuer under the Programme will be issued in series (each a "**Series**") and in one or more of four classes (each a "**Class**"). Bonds issued by the Issuer may only be issued in unwrapped form pursuant to this Prospectus without issuing a supplemental prospectus. Each Class may comprise one or more sub-classes (each a "**Sub-Class**") with each Sub-Class pertaining to, among other things, the currency, interest rate and Maturity Date (as defined below) of the relevant Sub-Class. Each Sub-Class fixed rate, floating rate or index-linked Bonds and may be denominated in sterling, euro or U.S. dollars (or in other currencies subject to compliance with applicable laws). Each Sub-Class may be issued in one or more tranches (each a "**Tranche**"), the specific terms of each Tranche being identical in all respects, save for the issue dates, interest commencement dates and/or issue prices, to the terms of the other Tranches of such Sub-Class.

Each Class of Unwrapped Bonds is expected on issue to have the following credit ratings:

Class	**S&P Global Ratings, acting through S&P Global Ratings UK Limited ("S&P")**	**Moody's Investors Service Limited ("Moody's")**	**Fitch Ratings Ltd. ("Fitch")**
Class A Unwrapped Bonds	BBB + (stable)	Baa2 (stable)	BBB + (stable)
Class B Unwrapped Bonds	BBB- (stable)	Ba1 (stable)	BBB- (stable)

Any rating assigned to a series of Bonds will be specified in the applicable Final Terms. Each of Moody's, S&P and Fitch are established in the United Kingdom ("**UK**") and are registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**").

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

For the avoidance of doubt, the Issuer may not as at the date of this Prospectus issue Wrapped Bonds pursuant to this Prospectus without issuing a Drawdown Prospectus. The credit ratings of any Class

of Wrapped Bonds which may be issued by the Issuer under the Programme in the future are not known as at the date of this Prospectus.

None of the Class A Unwrapped Bonds or Class B Unwrapped Bonds (the "**Unwrapped Bonds**") will benefit from a Financial Guarantee or the guarantee of any other financial institution.

Each Sub-Class of Bearer Bonds may be represented initially by a Temporary Global Bond (as defined below), without interest coupons, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (as defined below) on or about the Issue Date (as defined below) of such Sub-Class. Ratings ascribed to all of the Bonds reflect only the views of the Rating Agencies.

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

In the case of any Bonds which are to be admitted to trading on a regulated market within the UK or offered to the public in the UK or a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the UK Prospectus Regulation or the Prospectus Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Bonds).

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

Amounts payable under the Bonds may be calculated by reference to: (i) the Sterling Overnight Index Average ("**SONIA**"), which is provided by the Bank of England; (ii) EURIBOR, which is provided by the European Money Markets Institute (the "**EMMI**"): (iii) the UK Retail Price Index ("**UK Retail Price Index**" or "**RPI**"), which is provided by the Office for National Statistics or the relevant successor index; (iv) the UK Consumer Price Index ("**UK Consumer Price Index**" or "**CPI**"), which is provided by the Office for National Statistics or the relevant successor index; or (v) the CPI including owner occupiers' housing costs ("**CPIH**"), which is provided by the Office for National Statistics or the relevant successor index ("**benchmarks**"). As at the date of this Prospectus, the EMMI (as administrator for EURIBOR) appears on the register of administrators and benchmarks established and maintained by the FCA pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**") as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**").

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

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

Section 13 of the U.S. Bank Holding Company Act of 1956, as amended (the "**BHC Act**"), as implemented by final regulations (together known as the "**Volcker Rule**"), generally prohibits

"banking entities" (which are broadly defined in the Volcker Rule to include U.S. banks, bank holding companies and non-U.S. banking organisations that are subject to the BHC Act, in each case, together with their respective subsidiaries and affiliates) from, subject to certain exemptions and exclusions: (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund", and (iii) entering into certain transactions with a "covered fund" for which the banking entity or an affiliate acts as investment manager, investment adviser, commodity trading adviser, or sponsor (such as, among other things, loans and other types of extensions of credit, guarantees, letters of credit and derivative transactions giving rise to "credit exposure" to a "covered fund"). If the Issuer is a "covered fund", banking entities will be prohibited from holding "ownership interests" in the Issuer. This may adversely impact the market price and liquidity of the Bonds. Prospective investors should consider the potential impact of the Volcker Rule in respect of such investment and on their portfolios generally. Each investor must determine for itself whether it is a banking entity subject to the Volcker Rule and should consult its own legal advisers regarding such matters and other effects of the Volcker Rule. None of the Obligors, any member of the YW Financing Group or the Kelda Group, the Arranger, the Dealers, the Bond Trustee, the Security Trustee, the Financial Guarantors or the Other Parties makes any representation regarding the ability of any investor to acquire or hold the Bonds, now or at any time in the future.

IMPORTANT NOTICE

This Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA and the UK Prospectus Regulation.

This Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Bonds which are to be admitted to trading on a regulated market in the UK and/or offered to the public in the UK other than in circumstances where any exemption is available under Article 1(4) and/or 3(2) of the UK Prospectus Regulation. 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 Issuer and the other Obligors each accept responsibility for the information contained in this Prospectus and the Final Terms or Drawdown Prospectus, as the case may be, of each Tranche of Bonds (as defined below) issued under the Programme. To the best of the knowledge of the Issuer and each of the other Obligors the information contained in this Prospectus is in accordance with the facts and this Prospectus makes no omission likely to affect its import.

The information relating to the Hedge Counterparties contained in Chapter 10 "*Description of the Hedge Counterparties*" was provided by the Hedge Counterparties. The information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from information published by the Hedge Counterparties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Copies of each set of Final Terms or Drawdown Prospectus (in the case of Bonds to be admitted to the Official List) will be available from Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ and from the specified office set out below of each of the Paying Agents or the Registrar and Transfer Agents (as applicable) and from the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.

The contents of this website, other than copies of those documents deemed to be incorporated by reference into this Prospectus, are for information purposes only and do not form part of this Prospectus.

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

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Prospectus in connection with the Issuer, any member of the YW Financing Group (as defined below) or the Kelda Group (as defined below) or the offering or sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, any member of the YW Financing Group, the Kelda Group, the Dealers and their respective affiliates, the Arranger and its respective affiliates, the Bond Trustee or the Security Trustee. Neither the delivery of this Prospectus nor any offering or sale of Bonds made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or any member of the YW Financing Group since the date hereof. Unless otherwise indicated herein, all information in this Prospectus is given on the date of this Prospectus. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, the Arranger, any Dealer or any of their respective affiliates to subscribe for, or purchase, any of the Bonds.

Save for the Issuer and the other Obligors, no other party has separately verified the information contained herein (other than, in respect of the Hedge Counterparties, the information in Chapter 10 "*Description of the Hedge Counterparties*"). Accordingly, no representation, warranty or undertaking,

express or implied, is made and no responsibility or liability is accepted by any Dealer (or their affiliates), the Arranger (or its affiliates), any Financial Guarantor, the Bond Trustee, the Security Trustee or any of the Hedge Counterparties, the Liquidity Facility Providers, the Authorised Credit Providers, the Agents, the Account Bank, the Standstill Cash Manager, the Finance Lessors or the members of the Kelda Group (each as defined below and, together, the "**Other Parties**") as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Bonds or their distribution (other than, in respect of the Hedge Counterparties, the information in Chapter 10 "*Description of the Hedge Counterparties*"). The statements made in this paragraph are without prejudice to the respective responsibilities of the Issuer and the other Obligors. Each person receiving this Prospectus acknowledges that such person has not relied on any Dealer (or their affiliates), the Arranger (or its affiliates), any Financial Guarantor, the Bond Trustee or the Security Trustee or any Other Parties nor on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision (other than, in respect of the Hedge Counterparties, the information in Chapter 10 "*Description of the Hedge Counterparties*").

None of the Issuer, the Obligors, any member of the YW Financing Group or the Kelda Group, the Arranger (or their affiliates), the Dealers (or their affiliates), the Bond Trustee, the Security Trustee, the Financial Guarantors or the Other Parties accept responsibility to investors for the regulatory treatment of their investment in the Bonds including (but not limited to) whether any transaction or transactions pursuant to which Bonds are issued from time to time is or will be regarded as constituting a "securitisation" for the purpose of the UK Securitisation Regulations 2024 (SI 2024/102) ("**SR 2024**") by any regulatory authority in any jurisdiction. If the regulatory treatment of an investment in the Bonds is relevant to any investor's decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors are referred to the "*Risk Factors – Regulatory and Competition Risks*" section of this Prospectus for further information.

None of the Obligors, the Arranger nor Dealers (nor any of their affiliates) accepts any responsibility for any social, environmental and sustainability assessment of any Bonds issued as a Green, Social or Sustainability Bond or makes any representation or warranty or assurance whether such Bonds will meet any investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels. None of the Arranger nor Dealers (nor any of their affiliates) is responsible for the use of proceeds for any Bonds issued as a Green, Social or Sustainability Bond, nor the impact or monitoring of such use of proceeds. No representation or assurance is given by the Obligors, the Arranger or any Dealer (or any of their affiliates) as to the suitability or reliability of any opinion or certification of any third party made available in connection with an issue of Bonds issued as a Green, Social or Sustainability Bond, nor is any such opinion or certification a recommendation by any Dealer or the Arranger (or any of their affiliates) to buy, sell or hold any such Bonds. As at the date of this Prospectus, the providers of such opinions are not subject to any specific regulation or other regime or oversight. In the event any such Bonds are, or are intended to be, listed, or admitted to trading on a dedicated "green", "sustainable", "social" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Obligors, the Arranger or any Dealer (or any of their affiliates) that such listing or admission will be obtained or maintained for the lifetime of the Bonds. For the avoidance of doubt, neither the Yorkshire Water Sustainable Finance Framework nor any second party opinion are, nor shall they be deemed to be, incorporated in and/or form part of, this Prospectus and should not be deemed to be a recommendation to buy, sell or hold any Bonds to be issued under the Programme. Prospective investors should seek advice from their independent financial adviser or other professional adviser regarding their purchase of any Bonds issued as a Green, Social or Sustainability Bond to be issued under the Programme before deciding to invest. See also the risk factor in this Prospectus headed "*Risk Factors – Risks associated with Green Bonds, Social Bonds and Sustainability Bonds*".

None of the Obligors, the Arranger, the Dealers, the Bond Trustee, the Security Trustee, the Agents or any of their respective affiliates make any representation to any investor in the Bonds regarding the legality of its investment under any applicable laws. Any investor in the Bonds should be able to bear the economic risk of an investment in the Bonds.

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

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

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

THE BONDS AND THE GUARANTEES IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE BONDS MAY INCLUDE BEARER BONDS THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE BONDS AND THE GUARANTEES IN RESPECT THEREOF MAY NOT BE OFFERED OR SOLD, PLEDGED, OR, OHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND THE APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OR, IN THE CASE OF BEARER BONDS, DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")).

THE BONDS AND THE GUARANTEES IN RESPECT THEREOF ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE BONDS AND THE GUARANTEES IN RESPECT THEREOF AND DISTRIBUTION OF THIS PROSPECTUS SEE CHAPTER 12 "*SUBSCRIPTION AND SALE*".

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA ("**EEA**"). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "**MIFID II**"); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED) (THE "**INSURANCE DISTRIBUTION DIRECTIVE**"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE "**EU PRIIPS REGULATION**") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE EU PRIIPS REGULATION.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UK. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW OF THE UNITED KINGDOM 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 DOMESTIC LAW OF THE UNITED KINGDOM BY VIRTUE OF THE EUWA. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY THE EU PRIIPS REGULATION AS IT FORMS PART OF DOMESTIC LAW OF THE UNITED KINGDOM BY VIRTUE OF THE EUWA (THE "**UK PRIIPS REGULATION**") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

MIFID II PRODUCT GOVERNANCE / TARGET MARKETS - THE FINAL TERMS OR DRAWDOWN PROSPECTUS IN RESPECT OF ANY BONDS MAY INCLUDE A LEGEND ENTITLED "MIFID II PRODUCT GOVERNANCE" WHICH WILL OUTLINE THE TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS AND WHICH CHANNELS FOR DISTRIBUTION OF THE BONDS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE BONDS (A "**DISTRIBUTOR**") SHOULD

TAKE INTO CONSIDERATION THE TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO DIRECTIVE 2014/65/EU (AS AMENDED, "**MIFID II**") IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS (BY EITHER ADOPTING OR REFINING THE TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS. A DETERMINATION WILL BE MADE IN RELATION TO EACH ISSUE ABOUT WHETHER, FOR THE PURPOSE OF THE PRODUCT GOVERNANCE RULES UNDER EU DELEGATED DIRECTIVE 2017/593 (THE "**MIFID PRODUCT GOVERNANCE RULES**"), ANY DEALER SUBSCRIBING FOR ANY BONDS IS A MANUFACTURER IN RESPECT OF SUCH BONDS, BUT OTHERWISE NEITHER THE ARRANGER NOR THE DEALERS NOR ANY OF THEIR RESPECTIVE AFFILIATES WILL BE A MANUFACTURER FOR THE PURPOSE OF THE MIFID PRODUCT GOVERNANCE RULES.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET – THE FINAL TERMS OR DRAWDOWN PROSPECTUS IN RESPECT OF ANY BONDS MAY INCLUDE A LEGEND ENTITLED "**UK MIFIR PRODUCT GOVERNANCE**" WHICH WILL OUTLINE THE TARGET MARKET ASSESSMENT IN RESPECT OF THE BONDS AND WHICH CHANNELS FOR DISTRIBUTION OF THE BONDS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE BONDS (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 BONDS (BY EITHER ADOPTING OR REFINING THE TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

A DETERMINATION WILL BE MADE IN RELATION TO EACH ISSUE ABOUT WHETHER, FOR THE PURPOSE OF THE UK MIFIR PRODUCT GOVERNANCE RULES, ANY DEALER SUBSCRIBING FOR ANY BONDS IS A MANUFACTURER IN RESPECT OF SUCH BONDS, BUT OTHERWISE NEITHER THE ARRANGER NOR THE DEALERS NOR ANY OF THEIR RESPECTIVE AFFILIATES WILL BE A MANUFACTURER FOR THE PURPOSE OF THE UK MIFIR PRODUCT GOVERNANCE RULES.

SINGAPORE SFA PRODUCT CLASSIFICATION – THE APPLICABLE FINAL TERMS IN RESPECT OF ANY BONDS MAY INCLUDE A LEGEND ENTITLED "SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION" WHICH WILL STATE THE PRODUCT CLASSIFICATION OF THE BONDS PURSUANT TO SECTION 309B 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**"). IN CONNECTION WITH SECTION 309B OF THE SFA AND THE CMP REGULATIONS 2018, UNLESS OTHERWISE SPECIFIED BEFORE AN OFFER OF BONDS, THE ISSUER HAS DETERMINED, AND HEREBY NOTIFIES ALL RELEVANT PERSONS (AS DEFINED IN SECTION 309A(1) OF THE SFA), THAT THE BONDS ARE CAPITAL MARKETS PRODUCTS OTHER THAN PRESCRIBED CAPITAL MARKETS PRODUCTS (AS DEFINED IN THE CMP REGULATIONS 2018) AND ARE SPECIFIED INVESTMENT PRODUCTS (AS DEFINED IN MAS NOTICE SFA 04-N12: NOTICE ON THE SALE OF INVESTMENT PRODUCTS AND MAS NOTICE FAA-N16: NOTICE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS).

THE BONDS AND THE GUARANTEES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY,

NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF BONDS OR THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

The distribution of this Prospectus and the offering, sale or delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the other Obligors, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Bonds and on distribution of this Prospectus, see Chapter 12 "*Subscription and Sale*" below. This Prospectus does not constitute, and may not be used for the purposes of, an offer to or solicitation by any person to subscribe or purchase any Bonds in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

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

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

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds 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:

- has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets;
- 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; and
- understands the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Bonds

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to 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) Bonds are legal investments for it, (2) Bonds can be used as collateral for various types of borrowing

and (3) other restrictions apply to its purchase or pledge of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

STABILISATION

In connection with the issue and distribution of any Tranche of Bonds, the Dealer (if any) disclosed as the stabilising manager in the applicable Final Terms or Drawdown Prospectus (the "Stabilising Manager") or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Bonds of the Series of which such Tranche forms part at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager or any agent of theirs will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Bonds and 60 days after the date of the allotment of the relevant Tranche of Bonds. Any stabilisation action or over allotment shall be conducted by the relevant Stabilising Manager or any person acting for him in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilising shall, as against the Issuer, be for the account of the Stabilising Manager.

FORWARD-LOOKING STATEMENTS

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

NON-IFRS FINANCIAL INFORMATION

This Prospectus contains certain financial measures that are not defined or recognised under IFRS and which constitute alternative performance measures ("**APMs**"). Information regarding these measures is sometimes used by investors and management to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures, and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Issuer's and the Obligors' performance with each other or with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure of operating performance, or as an alternative to cash generated from operations as a measure of liquidity.

ALTERNATIVE PERFORMANCE MEASURES ("APMS")

APMs in this Prospectus include EBITDA and regulatory capital value ("**Regulatory Capital Value**" or "**RCV**"). Definitions of these terms and the other APMs contained in this Prospectus along with details of the adjustments required to reconcile these non-IFRS financial measures to their closest equivalent IFRS financial measures, can be found in the "Key performance indicators (KPIs)" (unaudited) section on pages 30 to 35 and the "Alternative finance performance measures (AFPMs)" (unaudited) section on pages 36 to 37 of the annual report and the audited annual financial statements

of YWS for the year ended 31 March 2025 and on pages 30 to 37 of the annual report and the audited annual financial statements of YWS for the year ended 31 March 2024, respectively. Each such section is incorporated by reference into this Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

(a) the audited annual financial statements of the Issuer for the year ended 31 March 2024 and for the year ended 31 March 2025, each of which have been previously published and which have been filed with the Financial Conduct Authority;

(b) the audited annual financial statements of YWSF for the year ended 31 March 2024 and for the year ended 31 March 2025, each of which have been previously published and which have been filed with the Financial Conduct Authority;

(c) the audited annual financial statements of YWS (including the "Key Performance Indicators (KPIs)" (unaudited) section on pages 30 to 35 and the "Alternative Finance Performance Measures (AFPMs)" (unaudited) section on pages 36 to 37 of the annual report accompanying such financial statements) for the year ended 31 March 2024 and the audited annual financial statements of YWS (including the "Key performance indicators (KPIs)" (unaudited) section on pages 30 to 35 and the "Alternative finance performance measures (AFPMs)" (unaudited) section on pages 36 to 37 of the annual report accompanying such financial statements) for the year ended 31 March 2025, each of which have been previously published and which have been filed with the Financial Conduct Authority;

(d) the audited annual financial statements of YWH for the year ended 31 March 2024 and for the year ended 31 March 2025, each of which have been previously published and which have been filed with the Financial Conduct Authority;

(e) the terms and conditions of the Bonds as set out at pages 153 to 192 (inclusive) of the Prospectus of Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited in relation to the Programme dated 15 July 2009;

(f) the terms and conditions of the Bonds as set out at pages 167 to 209 (inclusive) of the Prospectus of Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited in relation to the Programme dated 2 August 2011;

(g) the terms and conditions of the Bonds as set out at pages 133 to 174 (inclusive) of the Prospectus of Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited in relation to the Programme dated 26 September 2012;

(h) the terms and conditions of the Bonds as set out at pages 150 to 193 (inclusive) of the Prospectus of Yorkshire Water Finance plc in relation to the Programme dated 30 January 2019;

(i) the terms and conditions of the Bonds as set out at pages 176 to 224 (inclusive) of the Prospectus of Yorkshire Water Finance plc in relation to the Programme dated 16 April 2021;

(j) the terms and conditions of the Bonds as set out at pages 198 to 247 (inclusive) of the Prospectus of Yorkshire Water Finance plc in relation to the Programme dated 14 February 2023; and

(k) the terms and conditions of the Bonds as set out at pages 203 to 255 (inclusive) of the Prospectus of Yorkshire Water Finance plc in relation to the Programme dated 29 August 2024,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any information or documents which

are themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Where only certain parts of a document are incorporated by reference in this Prospectus, the non-incorporated parts are either not relevant to the investor or are covered elsewhere in this Prospectus.

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

Copies of documents deemed to be incorporated by reference in this Prospectus may be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html. The contents of this website, other than copies of those documents deemed to be incorporated by reference into this Prospectus, are for information purposes only and do not form part of this Prospectus.

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

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

SUPPLEMENTAL PROSPECTUS

The Issuer has undertaken, in connection with the admission of the Bonds to the Official List and to trading on the Market, that, if there shall occur any significant new factor, mistake or material inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Bonds whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Bonds, the Issuer shall prepare a supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent issue by the Issuer of Bonds and will supply to each Dealer and the Bond Trustee such number of copies of such supplement hereto or replacement prospectus as such Dealer and Bond Trustee may reasonably request. The Issuer will also supply to the FCA such number of copies of such supplement hereto or replacement prospectus as may be required by the FCA and will make copies available, free of charge, upon oral or written request, at the specified offices of the Paying Agents (as defined herein).

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

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

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

Any information relating to the Bonds which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Bonds will be contained in the relevant Final Terms or Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any such information constitutes a significant new factor relating to the information contained in this Prospectus in which case such information, together with all of the necessary information in relation to the Bonds, may be contained in a Drawdown Prospectus. In addition, the Obligors may agree with any Dealer and the Bond Trustee that the Bonds may be issued in a form not contemplated by the Conditions (as defined below), in which event (in the case of the Bonds admitted to the Official List only) a Drawdown Prospectus will be made available which will describe the effect of the agreement reached in relation to such Bonds.

The terms and conditions applicable to any particular Tranche of Bonds which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent

described in the relevant Drawdown Prospectus. In the case of a Tranche of Bonds which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified, completed or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Bonds.

For a Tranche of Bonds which is the subject of Final Terms, those Final Terms must be read in conjunction with this Prospectus. The terms and conditions applicable to any particular Tranche of Bonds which is the subject of Final Terms are the Conditions as completed to the extent described in the relevant Final Terms.

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CHAPTER 1
THE PARTIES

Issuer	Yorkshire Water Finance plc, a company incorporated in England and Wales with limited liability (registered number 11444372), is the principal financing vehicle for raising funds to support the long-term debt financing requirements of YWS. The Issuer is a wholly owned subsidiary of YWS.
YWS	Yorkshire Water Services Limited, a company incorporated in England and Wales with limited liability (registered number 02366682), which holds an Instrument of Appointment dated August 1989 under sections 11 and 14 of the Water Act 1989 (as in effect on 1 September 1989) under which the Secretary of State for the Environment appointed YWS as a water and sewerage undertaker under the WIA for the areas described in the Instrument of Appointment. YWS is a wholly owned subsidiary of YWH.
YWH	Yorkshire Water Services Holdings Limited, a company incorporated in England and Wales with limited liability (registered number 06815156). YWH is a wholly owned subsidiary of Kelda Finance (No.2) Limited.
KGL	Kelda Group Limited, a private company incorporated in England and Wales with limited liability (registered number 02366627).
YWSF	Yorkshire Water Services Finance Limited, a private company incorporated with limited liability in England and Wales (registered number 04636719). YWSF is a wholly owned subsidiary of YWS.
Guarantors	Pursuant to the terms of the Security Agreement, YWH guarantees the obligations of YWS, YWSF, and the Issuer under each Finance Document in favour of the Security Trustee. In addition, YWS, YWSF, and the Issuer each guarantee the obligations of each other (but not those of YWH) under each Finance Document in favour of the Security Trustee. YWH, YWS, YWSF, and the Issuer are collectively referred to herein as the "**Guarantors**" and each a "**Guarantor**".
YW Financing Group	The YW Financing Group is comprised of YWH, YWS, YWSF, and the Issuer, and any Permitted Subsidiaries.
Kelda Group	Kelda Holdings Limited and its Subsidiaries from time to time.
Arranger	NatWest Markets Plc
Dealers	Bank of China Limited, London Branch, Barclays Bank PLC, BNP PARIBAS, Lloyds Bank Corporate Markets plc, MUFG Securities EMEA plc, National Australia Bank Limited (ABN 12 004 044 937), NatWest Markets Plc, RBC Europe Limited and SMBC Bank International plc will act as dealers (each a "**Dealer**" and together with any other dealer appointed from time to time by the Issuer and the other Guarantors, the "**Dealers**") either generally with respect to the Programme or in relation to a particular Tranche, Sub-Class, Class or Series of Bonds.

	The YWSF Financial Guarantor also constitutes a Financial Guarantor in respect of the Participating YWSF Bonds.
Hedge Counterparties	Certain financial institutions which from time to time enter into Hedging Agreements with the YW Financing Group as counterparties and which comply with certain criteria set out in the Hedging Policy, in the Common Terms Agreement, and described in Chapter 7 "*Overview of the Financing Agreements*". The name and a brief description of each current Hedge Counterparty is set out in Chapter 10 "*Description of the Hedge Counterparties*". The YW Financing Group may enter into further Hedging Agreements from time to time which comply with the Hedging Policy.
Bond Trustee	Deutsche Trustee Company Limited acts as the Bond Trustee for and on behalf of the holders of each Class of Bonds of each Series (the "**Bondholders**").
Security Trustee	Deutsche Trustee Company Limited acts as security trustee for itself and on behalf of the Shared Secured Creditors and the Ring-fenced Secured Creditors (as defined below) (the "**Security Trustee**").
Secured Creditors	The Secured Creditors comprise any person who is a party to, or has acceded to, the STID as a Secured Creditor and includes Ring-fenced Secured Creditors and Shared Secured Creditors.
Authorised Credit Providers	Among others, the European Investment Bank (the "**EIB**") (the "**Existing Authorised Credit Providers**").
Liquidity Facility Providers	The DSR Liquidity Facility Providers and the O&M Reserve Facility Providers.
Initial Issuing Bank	The Royal Bank of Scotland plc.
Finance Lessors	Certain financial institutions which lease plant, machinery and Equipment (as defined below) to YWS under the terms of various Finance Leases.
Paying Agents	Deutsche Bank AG, London Branch acts as principal paying agent (the "**Principal Paying Agent**" and, together with any other paying agents appointed by the Issuer, the "**Paying Agents**") to provide certain issue and paying agency services to the Issuer in respect of the Bearer Bonds and Registered Bonds.
Agent Bank	Deutsche Bank AG, London Branch acts as agent bank (the "**Agent Bank**") to provide certain calculation agency services under the Agency Agreement in respect of the Bonds.
Account Bank	National Westminster Bank plc, acting through its City of London office at 1 Princes Street, London (the "**Account Bank**").
Cash Manager	YWS (the "**Cash Manager**"), or during a Standstill Period, The Royal Bank of Scotland plc (the "**Standstill Cash Manager**").
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A. acts as transfer agent (the "**Transfer Agent**") and provides certain transfer agency services to the Issuer in respect of the Registered Bonds. Deutsche Bank Luxembourg S.A. acts as registrar (the "**Registrar**") and provides certain registrar services to the Issuer in respect of the Registered Bonds.

Participating YWSF Bond Trustee	Deutsche Trustee Company Limited acts as trustee for and on behalf of the holders of each Class of Participating YWSF Bonds, such entity (or any successor trustee appointed pursuant to the relevant Participating YWSF Bond Trust Deeds (as defined below)), (the "**Participating YWSF Bond Trustee**").

CHAPTER 2
OVERVIEW OF THE PROGRAMME

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

Description	Guaranteed Bond Programme.
Issuer:	Yorkshire Water Finance plc
Legal Entity Identifier of the Issuer:	213800O8BDOGHJMTCP32
Website of the Issuer:	https://www.keldagroup.com/
Guarantors:	YWS, YWH and YWSF
Legal Entity Identifier of the Guarantors:	YWS: 2138006E2VG89XLORJ06 YWSF: 213800SPVHJCCUH13862 YWH: 213800WQFFVALXJPK653
Website of the Guarantors:	https://www.keldagroup.com/
Programme Size	Up to £8,000,000,000 (or its equivalent in other currencies calculated as described herein) aggregate nominal amount of Bonds Outstanding at any time.
Issuance in Classes	Bonds issued by the Issuer under the Programme will be issued in Series, with each Series belonging to one of four Classes. The Unwrapped Bonds issued by the Issuer are and will be designated as one of Class A Unwrapped Bonds or Class B Unwrapped Bonds. The Wrapped Bonds issued by the Issuer are and will be designated as either Class A Wrapped Bonds or Class B Wrapped Bonds. Each Class comprises or will comprise one or more Sub-Classes of Bonds with each Sub-Class pertaining to, among other things, the currency, interest rate and Maturity Date of the relevant Sub-Class and each Sub-Class can be issued in one or more Tranches, the specific terms of each Tranche of a Sub-Class being identical in all respects, save for the issue dates, interest commencement dates and/or issue prices, to the terms of the other Tranches of such Sub-Class. The specific terms of each Tranche of Bonds will be set out in the applicable Final Terms or Drawdown Prospectus.
Issue Dates	The date of issue of a Tranche of Bonds as specified in the relevant Final Terms or Drawdown Prospectus (each an "**Issue Date**").
Distribution	Bonds may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Certain Restrictions	Each issue of Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time including the restrictions applicable at the date of this Prospectus. See Chapter 12 "*Subscription and Sale*".

	Bonds having a maturity of less than one year from the date of issue will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See Chapter 12 "*Subscription and Sale*".
Currencies	Euro, sterling, U.S. dollars and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Redenomination	The applicable Final Terms or Drawdown Prospectus may provide that certain Bonds may be redenominated in euro. The relevant provisions applicable to any such redenomination will be contained the applicable Final Terms or Drawdown Prospectus.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the Relevant Currency (as defined in the Conditions).
Issue Price	Bonds have been and will be issued on a fully-paid basis and may be issued at an issue price which is at par or at a discount to, or premium over, par, as specified in the relevant Final Terms or Drawdown Prospectus.
Interest	Bonds will, unless otherwise specified in the relevant Final Terms or Drawdown Prospectus, be interest-bearing and interest will be calculated (unless otherwise specified in the relevant Final Terms or Drawdown Prospectus) on the Principal Amount Outstanding (as defined in the Conditions) of such Bond. Interest will accrue at a fixed or floating rate (plus, in the case of Indexed Bonds, amounts in respect of indexation) and will be payable in arrear, as specified in the relevant Final Terms or Drawdown Prospectus, or on such other basis and at such rate as may be so specified. Interest will be calculated on the basis of such Day Count Fraction (as defined in the Conditions) as may be agreed between the Issuer and the relevant Dealer as specified in the relevant Final Terms or Drawdown Prospectus.
Form of Bonds	Each Sub-Class of Bonds will be issued in bearer or registered form as described in Chapter 8 "*The Bonds*". Registered Bonds will not be exchangeable for Bearer Bonds or vice versa.
Fixed Rate Bonds	Fixed Rate Bonds will bear interest at a fixed rate of interest payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, as specified in the relevant Final Terms or Drawdown Prospectus.
Floating Rate Bonds	Floating Rate Bonds will bear interest at a rate determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the Relevant Currency governed by an agreement incorporating either the 2006 ISDA Definitions or the 2021 ISDA Definitions (each as published by the International Swaps and Derivatives Association, Inc., ("**ISDA**") and as

amended and updated as at the Issue Date of the first Tranche of the Bonds of the relevant Sub-Class) as set out in the relevant Final Terms or Drawdown Prospectus; or

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service (being EURIBOR or SONIA);

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Sub-Class of Floating Rate Bonds.

Indexed Bonds

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Indexed Bonds (including Limited Indexed Bonds as defined in Condition 7(a) "*Definitions (RPI)*" may be calculated in accordance with Condition 7 "*Indexation*" by reference to the UK Retail Price Index.

Interest Payment Dates

Interest in respect of Fixed Rate Bonds is or will be payable annually in arrear and in respect of Floating Rate Bonds and Indexed Bonds is or will be payable semi-annually in arrear (or, in each case, as otherwise specified in the relevant Final Terms or Drawdown Prospectus).

Redemption

The applicable Final Terms or Drawdown Prospectus will indicate either that the relevant Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments, or for taxation reasons if applicable, or following an Index Event or (subject to the terms of the STID) following an Event of Default) or that such Bonds will be redeemable at the option of the Issuer and/or the Bondholders upon giving notice to the Bondholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer, in each case as set out in the applicable Final Terms or Drawdown Prospectus.

Redemption for Index Event, Taxation or Other Reasons

Upon the occurrence of certain index events (as set out in Condition 8(d) "*Redemption for Index Event, Taxation or Other Reasons*"), the Issuer may redeem all, but not some only, of the Indexed Bonds at their Principal Amount Outstanding together with accrued but unpaid interest and amounts in respect of indexation and any and all amounts due and payable, in the case of the Issuer, to any Financial Guarantor under the Finance Documents. No single Sub-Class of Indexed Bonds may be redeemed in these circumstances unless all the other Sub-Classes of Indexed Bonds referable to the Index the subject of such Index Event are also redeemed.

In addition, in the event of the Issuer becoming obliged to make any deduction or withholding from payments in respect of the Bonds (although the Issuer will not be obliged to pay any additional amounts in respect of such deduction or withholding) the Issuer may (but is not obliged to): (a) use its reasonable endeavours to arrange for the substitution of another company incorporated in an alternative jurisdiction (subject to certain conditions as set out in Condition 8(d) "*Redemption for Index Event, Taxation or Other Reasons*" of the

	Bonds) and, failing this; or (b) redeem (subject to certain conditions as set out in Condition 8(d) "*Redemption for Index Event, Taxation or Other Reasons*" of the Bonds) all (but not some only) of the Bonds at their Principal Amount Outstanding (plus, in the case of Indexed Bonds, amounts in respect of indexation) together with accrued but unpaid interest. No single Class or Sub-Class of Bonds may be redeemed if the Issuer is obliged to make any deduction or withholding from payments in respect of the Bonds, unless all the other Classes and Sub-Classes of Bonds are also redeemed in full at the same time. In the event of YWS electing to prepay an advance under the Issuer/YWS Loan Agreement where such advance was funded by the proceeds of an issuance of a Sub-Class of Bonds (in whole or in part), the Issuer shall be obliged to redeem all or the relevant part of such Sub-Class of Bonds or the proportion of the relevant Sub-Class which the proposed prepayment amount bears to the amount of the relevant advance under the relevant Issuer/YWS Loan Agreement. Where YWS or the Issuer has hedged its exposure in relation to such an advance under an Issuer/YWS Loan Agreement funded by the proceeds raised from an issuance of a Sub-Class of Bonds under a Hedging Agreement, YWS or, as the case may be, the Issuer shall be obliged to reduce the notional amount of such Hedging Agreement by an amount equal to the amount of such prepayment and to pay any resulting termination payment. The Issuer shall only be permitted to pay Early Redemption Amounts to the extent that in so doing it will not cause an Event of Default to occur or subsist.
Denomination of Bonds	Bonds have been and will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that: (i) in the case of any Bonds which are to be admitted to trading on the Market within the UK or offered to the public in the UK in circumstances which require the publication of a prospectus under the UK Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Bonds); and (ii) in any other case, the minimum specified denomination of each Bond will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Relevant Currency. See the section "*Certain Restrictions*" above.
Taxation	Payments in respect of Bonds or under the relevant Financial Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any jurisdiction, unless and save to the extent that the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event and to that extent, the Issuer and, to the extent there is a claim under the relevant Financial Guarantee, the relevant Financial Guarantor will make

payments subject to the appropriate withholding or deduction. Notwithstanding the foregoing, no additional amounts will be paid by the Issuer or the Guarantors or, to the extent there is a claim under the relevant Financial Guarantee, by the relevant Financial Guarantor in respect of any withholdings or deductions, unless otherwise specified in the applicable Final Terms or Drawdown Prospectus.

Status of the Bonds

The Bonds in issue at the date of this Prospectus constitute, and any further Bonds issued under the Programme will constitute, secured obligations of the Issuer. Each Class of Bonds issued by the Issuer ranks and will rank *pari passu* without preference or priority in point of security amongst themselves.

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

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

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

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

Covenants

The representations, warranties, covenants (positive, negative and financial) and events of default which will apply to, among other

	things, the Bonds are set out in the common terms agreement dated the Closing Date and as amended, supplemented or restated from time to time (the "**Common Terms Agreement**"). See Chapter 7 "*Overview of the Financing Agreements*" under "*Common Terms Agreement*".
Guarantee and Security	The Bonds in issue have been, and any further Bonds issued under the Programme will be, unconditionally and irrevocably guaranteed and secured by each of YWS, YWSF, and YWH, pursuant to a guarantee and security agreement (the "**Security Agreement**") entered into by each Obligor in favour of the Security Trustee over the entire property, assets, rights and undertaking of each such Obligor (the "**Security**"), in the case of YWS to the extent permitted by the WIA and the Instrument of Appointment. Each such guarantee constitutes a direct, unconditional and secured obligation of each such Obligor. The Security is held by the Security Trustee on trust for the Secured Creditors (as defined below) under the terms of the Security Agreement and subject to the terms of the STID (as defined below) (see Chapter 7 "*Overview of the Financing Agreements*" under "*Security Agreement*"). YWS's business (together with the facilities available to the YW Financing Group, including the Issuer/YWS Loan Agreements) have characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Bonds issued under the Programme.
Intercreditor Arrangements	The Secured Creditors and each Obligor are, and will each be, party to a security trust and intercreditor deed dated on the Closing Date and as amended, supplemented or restated from time to time (the "**STID**"), which regulates, among other things: (i) the claims of the Secured Creditors; (ii) the exercise and enforcement of rights by the Secured Creditors; (iii) the rights of the Secured Creditors to instruct the Security Trustee; (iv) the rights of the Secured Creditors during the occurrence of an Event of Default; (v) the Entrenched Rights and Reserved Matters of each Secured Creditor; and (vi) the giving of consents and waivers and the making of amendments by the Secured Creditors. See Chapter 7 "*Overview of the Financing Agreements*" under "*Security Trust and Intercreditor Deed*".
Authorised Credit Facilities	Subject to certain conditions being met, the Issuer, YWSF and YWS is permitted to incur certain indebtedness under authorised credit facilities (each an "**Authorised Credit Facility**" and together the "**Authorised Credit Facilities**") with an Authorised Credit Provider. These Authorised Credit Facilities may comprise loan, hedging, finance leases, liquidity facilities and other facilities subject to the terms of the Common Terms Agreement and the STID. Each Authorised Credit Provider will be party to the Common Terms Agreement and the STID and may have voting rights thereunder. See Chapter 7 "*Overview of the Financing Agreements*".
DSR Liquidity Facilities	YWS has agreed to procure that: (a) on any Payment Date the aggregate of: (i) all amounts available for drawing under any DSR Liquidity Facilities in respect of Class A Debt and Class B Debt; and

(ii) all aggregate amounts standing to the credit of the Debt Service Reserve Accounts (including the value of any Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Accounts) are at least equal to the Required Balance; and (b) on any Non-Participating YWSF Bond Payment Date the aggregate of: (i) all amounts available for drawing under any DSR Liquidity Facilities in respect of Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds); and (ii) all amounts standing to the credit of the Non-Participating YWSF Bond Reserve Account (including the value of any Authorised Investments funded from amounts standing to the credit of the Non-Participating YWSF Bond Reserve Account) are at least equal to the Non-Participating YWSF Bond Required Balance. As at the date of this Prospectus, the Non-Participating YWSF Bond Required Balance will be an amount equal to the next 18 months' interest and principal forecast to be due on the Non-Participating YWSF Bonds, after taking into account anticipated real flow receipts under any Hedging Agreement then in place in respect of any Non-Participating YWSF Bonds. An amount equal to the Non-Participating YWSF Bond Required Balance is retained in YWSF's Non-Participating YWSF Bond Reserve Account.

Pursuant to the terms of the DSR Liquidity Facility Agreements which were entered into on 17 March 2022 (which were renewed on 25 March 2024, amended on 31 March 2025, and with availability extended from 25 March 2025) (the "**DSR Liquidity Facility Agreements**") and each further DSR Liquidity Facility Agreement, the DSR Liquidity Facility Providers make available, and will make available (as applicable), to the Issuer or, as the case may be, to YWSF or YWS a 5 year liquidity guarantee to unconditionally and irrevocably guarantee payments due by the Issuer or, as the case may be, YWSF or YWS in circumstances where YWS has insufficient funds available to it on a Payment Date to pay: (a) scheduled interest or certain other payments in respect of Senior Debt (including payments due to be made by YWS under the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements and the YWSF/YWS Loan Agreements, to enable the Issuer or, as the case may be, YWSF to make interest payments due on the Bonds or, as the case may be, the YWSF Bonds); or (b) certain other payments ranking in priority to or pari passu with the Bonds (excluding any principal repayments)). Subject to the terms of the STID and the Common Terms Agreement, the DSR Liquidity Facility Agreement is and any further DSR Liquidity Facilities entered into shall be (as applicable) on such commercial terms as the Issuer or, as the case may be, YWSF or YWS have agreed or may agree (as applicable) with the relevant liquidity facility provider in terms of tenor and pricing subject always to meeting minimum Rating Agency criteria.

O&M Reserve Facilities

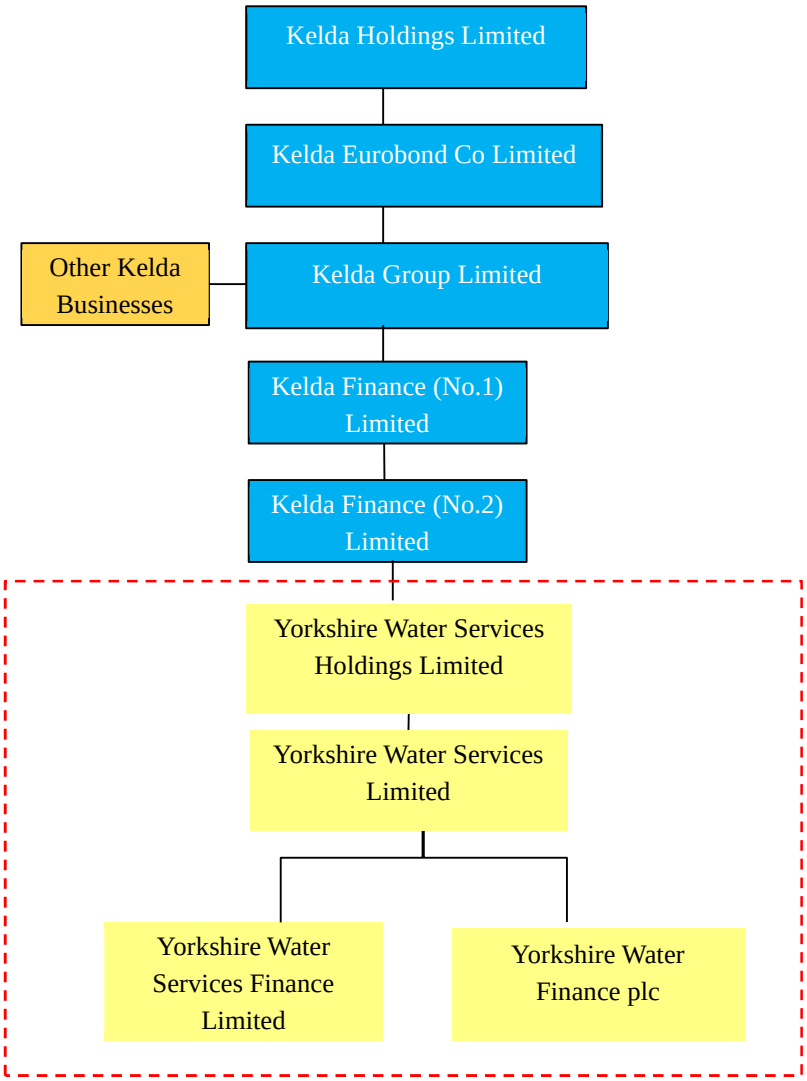
YWS shall at all times maintain an O&M Reserve Facility to be provided by the O&M Reserve Facility Providers available for drawing which, when aggregated with amounts (including the value of any Authorised Investments funded from amounts standing to the

	credit of the O&M Reserve Accounts of YWS) standing to the credit of the O&M Reserve Accounts, amount to not less than the O&M Reserve Required Amount. YWS is the borrower under the O&M Reserve Facility Agreement originally dated 7 April 2011, as amended and restated on 23 September 2011, and as further amended and restated on 26 September 2012 (as may be further amended, supplemented or restated from time to time) which was renewed on 21 March 2025 for a 364 day term (the "**O&M Reserve Facility Agreement**")
Listing	Application has been made to admit Bonds issued under the Programme to the Official List and to admit them to trading on the Market. The applicable Final Terms or Drawdown Prospectus will state on which stock exchange(s) the Bonds are to be listed.
Ratings	The ratings assigned to the Class A Unwrapped Bonds and the Class B Unwrapped Bonds by the Rating Agencies reflect only the views of the Rating Agencies. The initial ratings of a Series of Bonds will be specified in the relevant Final Terms or Drawdown Prospectus. A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the business and financial condition of YWS.
Governing Law	The Bonds in issue and any non-contractual obligations arising out of or in connection therewith are, and any new Bonds and any non-contractual obligations arising out of or in connection therewith will be, governed by, and construed in accordance with, English law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in the United States, the United Kingdom, the European Economic Area, Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Sub-Class of Bonds. See Chapter 12 "*Subscription and Sale*".
Investor Information	YWS is required to produce an investors' report (the "**Investors' Report**") semi-annually to be delivered within 120 days from 31 March or 90 days from 30 September of each year. Such Investors' Report will include, among other things: (i) a general overview of the YWS business in respect of the six month period ending on the immediately preceding Calculation Date; (ii) the calculations of Class A ICR, the Class A Adjusted ICR, the Class A Average Adjusted ICR, the Senior Adjusted ICR, the Senior Average Adjusted ICR, the Conformed Class A Adjusted ICR, the Conformed Class A Average Adjusted ICR, the Conformed Senior Adjusted ICR and the Conformed Senior Average Adjusted ICR for each Test Period, the Re-profiled Class A ICR for each Test Period, the Re-profiled Class A Adjusted ICR for each Test Period, the Re-profiled Senior Adjusted ICR for each Test Period, the Re-profiled Class A Average Adjusted ICR for each Test Period, and the Re-profiled Senior Average Adjusted ICR for each Test Period (historic and projected); (iii) the Class A RAR and Senior RAR for each Test Period (historic and projected); and (iv) reasonable detail of the computations of these financial ratios.

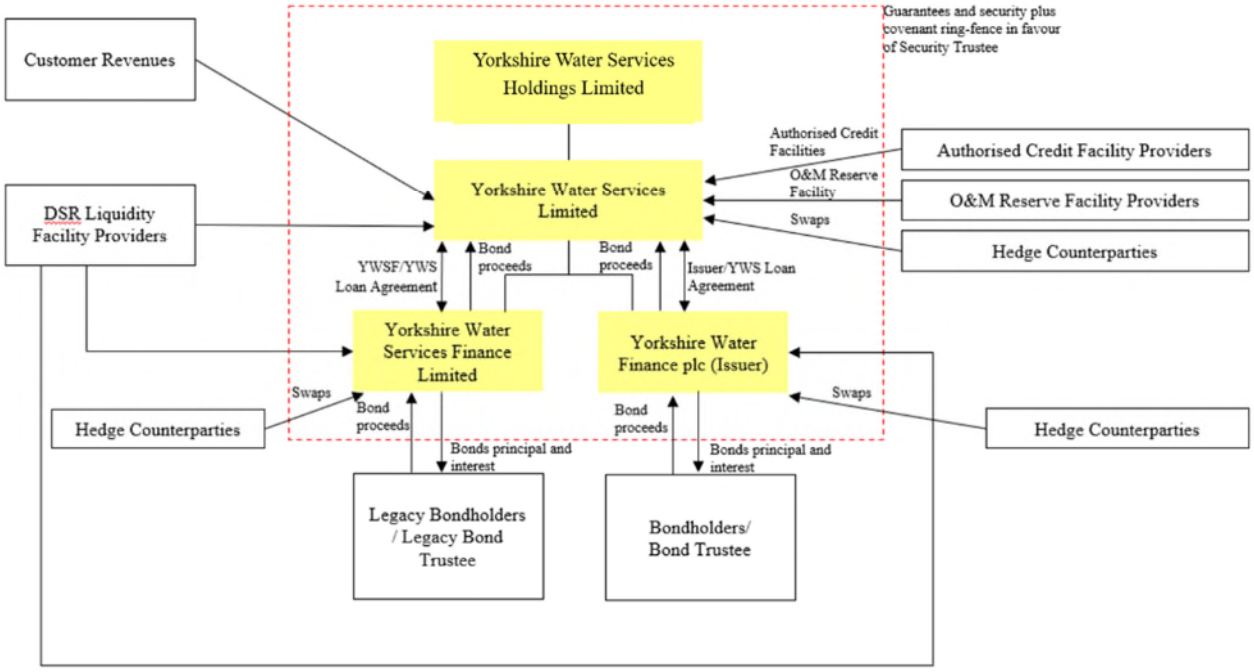
Each such Investors' Report will be made available by YWS and the Issuer on YWS's website.

CHAPTER 3
OVERVIEW OF THE FINANCING STRUCTURE

OWNERSHIP STRUCTURE



PROGRAMME STRUCTURE



- The Issuer may under the Programme issue Class A Unwrapped Bonds and Class B Unwrapped Bonds.
- YWS may borrow money from Authorised Credit Providers under Authorised Credit Facilities to repay or refinance the YW Financing Group's Financial Indebtedness and for general corporate purposes.
- The Issuer will on-lend the proceeds of each Series of Bonds issued on or after the date of this Prospectus to YWS pursuant to an Issuer/YWS Loan Agreement.
- In certain circumstances, YWS, the Issuer and YWSF may also borrow money from DSR Liquidity Facility Providers or claim under the DSR Liquidity Facilities or any further DSR Liquidity Facilities to service certain shortfalls in meeting payments in respect of the YW Financing Group's indebtedness. Where applicable, the Issuer and YWSF will on-lend any drawings or guaranteed claim amounts under a DSR Liquidity Facility to YWS under an Issuer/YWS Loan Agreement or a YWSF/YWS Loan Agreement, respectively.
- In certain circumstances, YWS may additionally borrow money from O&M Reserve Facility Providers under the O&M Reserve Facility or any further O&M Reserve Facilities for funding YWS's operating and maintenance expenditure and from Authorised Credit Providers under Authorised Credit Facilities for funding the working capital and Capital Expenditure requirements of YWS.
- Prior to the Closing Date, YWSF had issued each Class of YWSF Bonds which, upon issue, were unsecured obligations of YWSF guaranteed by YWS. The Initial YWSF/YWS Loan Agreement documents the terms of each advance that had previously been made by YWSF to YWS prior to the Closing Date in respect of the proceeds of each Class of YWSF Bonds issued.
- On the Closing Date, YWSF completed a consent solicitation process in respect of one Class of YWSF Bonds. As a result of the consent solicitation process, the terms and conditions of

such Class of YWSF Bonds were amended on the Closing Date and the bond trustee in respect of such Class of YWSF Bonds entered into the Common Terms Agreement, STID and Master Definitions Agreement in respect of such Class in order to take the benefit of and to be bound by the Security and the common covenant, trigger event, event of default and intercreditor terms applicable to the Programme on behalf of the holders of such YWSF Bonds. As a result, such YWSF Bonds became Participating YWSF Bonds and the bond trustee became the Participating YWSF Bond Trustee in respect thereof.

- In addition to the consent solicitation process described above, on the Closing Date, YWSF also completed an exchange offer in respect of certain other Classes of YWSF Bonds pursuant to which the holders of such Classes of YWSF Bonds were offered new Class A Unwrapped Bonds which were issued by Yorkshire Water Services Odsal Finance Limited under the Programme on the Closing Date in exchange for delivering their existing YWSF Bonds to Yorkshire Water Services Odsal Finance Limited (the "**Exchange Offer**"). Pursuant to the 2018 Reorganisation, the Exchanged YWSF Bonds were transferred to YWSF and cancelled.

- As part of the Exchange Offer, certain holders of the YWSF Bonds did not accept the offer to exchange such YWSF Bonds for new Class A Unwrapped Bonds issued by Yorkshire Water Services Odsal Finance Limited as a result of which certain holders of the YWSF Bonds retained their YWSF Bonds. In each such case, from and including the Closing Date, such YWSF Bonds became Non-Participating YWSF Bonds, which benefit from the Shared Security (see Chapter 7 "*Overview of the Financing Agreements - Security Agreement*") and which rank in point of payment and security pari passu with the Class A Bonds issued by the Issuer under the Programme. The bond trustee in respect of each Class of Non-Participating YWSF Bonds is referred to as the Non-Participating YWSF Bond Trustee.

- The Class A Unwrapped Bonds originally issued by the Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited (and in each case, which are now obligations of the Issuer) as at the date of this Prospectus constitute, and the Class A Unwrapped Bonds and the Class A Wrapped Bonds issued by the Issuer from time to time will constitute, Class A Debt for the purposes of the STID. The Participating YWSF Bonds issued by YWSF will also constitute Class A Debt for the purposes of the STID. The Non-Participating YWSF Bonds do not constitute Class A Debt, however the Non-Participating YWSF Bonds do benefit from the Shared Security.

- Where applicable, each of YWS, YWSF, and/or the Issuer are required to hedge their respective interest rate and currency exposure under the Senior Debt by entering into interest and currency swap agreements and other hedging arrangements with Hedge Counterparties in accordance with the Hedging Policy. The economic effect of any hedging entered into by the Issuer will be passed on to YWS through the relevant Issuer/YWS Loan Agreement and the economic effect of any hedging entered into by YWSF will be passed on to YWS through the relevant YWSF/YWS Loan Agreement.

- The Issuer's obligation to repay principal and interest on the Bonds (both those issued previously and any future issuance) will be backed by the same asset (i.e. the Issuer/YWS Loan Agreements). Payments made by YWS under the Issuer/YWS Loan Agreements enable the Issuer to make payments due on the Bonds issued by the Issuer. Each Issuer/YWS Loan Agreement provides for payments to become due from YWS to the Issuer on dates and in amounts that match the obligations of the Issuer in respect of Bonds issued by the Issuer (and any DSR Liquidity Facility entered into by the Issuer) plus a certain profit margin.

- Payments made by YWS under the Initial YWSF/YWS Loan Agreement will enable YWSF to make payments due on the Participating YWSF Bonds and the Non-Participating YWSF

Bonds. The Initial YWSF/YWS Loan Agreement provides for payments to become due from YWS to YWSF on dates and in amounts that match the obligations of YWSF in respect of the Participating YWSF Bonds and the Non-Participating YWSF Bonds (and any DSR Liquidity Facility entered into by YWSF).

- The Issuer and/or YWSF may withdraw sums standing to the credit of the Debt Service Reserve Accounts and/or claim or draw under any DSR Liquidity Facility to on-lend to YWS to enable YWS to meet any shortfall in the amounts available to YWS on any Payment Date to pay: (a) scheduled interest or certain other payments in respect of Senior Debt (including payments due to be made by YWS under the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements and the YWSF/YWS Loan Agreements, to enable the Issuer or, as the case may be, YWSF to make interest payments due on the Bonds or, as the case may be, the Participating YWSF Bonds); or (b) certain other payments ranking in priority to or *pari passu* with the Bonds (excluding any principal repayments)). YWSF may withdraw sums standing to the credit of the Non-Participating YWSF Bond Reserve Account and/or claim or draw under any DSR Liquidity Facility available in respect of the Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds) to on-lend to YWS to enable YWS to meet any shortfall in amounts available to YWS or YWSF to pay scheduled interest and/or principal in respect of any Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds).

- The respective obligations of YWS, YWSF, and the Issuer to each of their Secured Creditors are guaranteed by each other in favour of the Security Trustee pursuant to the Security Agreement. YWH in turn guarantees in favour of the Security Trustee the respective obligations of YWS, YWSF, and the Issuer.

- The obligations of each of YWS, YWSF, the Issuer and YWH are secured in favour of the Security Trustee under the terms of the Security Agreement.

- The guarantees and security granted by YWH and the Issuer are held by the Security Trustee for itself and on behalf of the Ring-fenced Secured Creditors and the guarantees and security granted by YWS and YWSF are held by the Security Trustee for itself and on behalf of the Shared Secured Creditors (which include the Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee), in each case under the terms of the STID, which regulates the rights and claims of the Secured Creditors against the Obligors and the duties and discretions of the Security Trustee.

CHAPTER 4
RISK FACTORS

The following sets out certain aspects of the Programme documentation and the activities of the YW Financing Group about which prospective Bondholders should be aware. The events described below could have a material adverse impact on the business, financial condition or operational performance of the Issuer, YWS or the other Obligors or their ability to meet their obligations including meeting the financial ratios and covenants set out in the Common Terms Agreement and ultimately the payment of principal and interest under the Bonds. Loss of market value of the Bonds may also occur for these and other reasons. The Issuer believes that the factors described below represent the principal risks inherent in investing in Bonds issued under the Programme, but it may be unable to meet the financial ratios and covenants set out in the Common Terms Agreement, pay interest, principal or other amounts on or in connection with Bonds for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate and the Issuer does not represent that the statements below regarding the risks of holding any Bonds are exhaustive.

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

In addition, while the various structural elements described in this document are intended to lessen some of these risks for holders of the Bonds, there can be no assurance that these measures will ensure that the holders of the Bonds of any Sub-Class receive payment of interest or repayment of principal from the Issuer in respect of such Bonds, or from a Financial Guarantor in respect of the Class A Wrapped Bonds or Class B Wrapped Bonds issued by the Issuer, on a timely basis or at all.

Words and expressions defined in the "Terms and Conditions of the Bonds" below or elsewhere in this Prospectus have the same meanings in this section.

Strategic Risks

Damage to corporate reputation or brand perception

YWS's brand and reputation are important assets. YWS must actively manage its reputation, and that of its senior management and its executive directors, with various stakeholders. Such stakeholders include customers, investors, principal regulators, suppliers, contractors, consumer and community representatives, employees, the media, governments and government agencies, other political parties and regulatory and trade union bodies and other opinion formers (for example, activist groups). Any failure to operate professionally, fairly and with integrity, to act in the long-term interest of customers, or the public perception that there has been such a failure or other real or perceived failures of governance, or legal or regulatory compliance could undermine public trust in YWS or its management.

Scrutiny regarding the performance and financial resilience of water and sewerage companies at both national and local levels, increases in living costs (including water and sewerage services), extreme weather events and political, regulatory and economic volatility have increased the level of media coverage of water and sewerage companies in general, for example, levels of concern about discharge

of untreated sewage into rivers and at beaches (even in the cases where this is permitted and lawful) have resulted in considerable media and political attention and scrutiny of water companies at national and local levels. All of this may have had and may continue to have a negative impact on the public's perception of the water industry and companies within it. The increased use of social media has also allowed and is likely to continue to allow customers and consumer groups to engage, share views, and take part in direct action and other campaigns more readily than before, including the possibility of class actions (see *Risk Factors – Litigation*). Any failure to retain the trust of YWS's customers could lead to campaigns for corporate and regulatory change.

These reputational risks could lead to increased governmental, political and/or regulatory intervention (for example, the England and Wales Environment Agency ("**EA**" or "**Environment Agency**") investigation launched in November 2021 (as further described below in the Risk Factor "*Environmental regulatory and statutory obligations*") or further investigations by Ofwat and/or the Department for Environment, Food and Rural Affairs ("**DEFRA**"), rigorous enforcement of current legislation and regulation and the enactment of new, more stringent, regulation and legislation). In response to increasing concerns of customers and other stakeholders, Ofwat introduced (as part of PR24) common performance commitments for serious pollution incidents and discharge permit compliance performance commitments with the expectation that all water companies will comply by 2030. Such scenarios could adversely affect the process and outcome of Periodic Reviews, harm regulatory relationships and increase costs and capital expenditure requirements.

Should these risks materialise, they could affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and its ability to raise finance, and to comply with its obligations under the Programme including payment of principal and interest under the Issuer/YWS Loan Agreement, and consequently the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants - Trigger Events – Events of Default*".

Climate Change

Climate change is a significant risk to the long-term delivery of YWS's services, and such risk appears to be manifesting with increased frequency of extreme weather events (acute physical risks) and more gradual changes in temperature, rainfall, and sea level rise (chronic physical risks) (see also "*Extreme Weather*" under "*Environmental Risks*" below). These risks have potential to affect YWS's direct operations and those in its wider value chain. Assessing climate-related risks and opportunities is an important part of how YWS operates and plans for the future. YWS will need to be able to address these risks and opportunities and balance investment in adaptation and mitigation to ensure YWS continues to be resilient and avoid adverse impact to its operations, and plays its part in the transition to net zero emissions, and the management of any wider transition risks (regulatory and supply chain risks).

The continued heightening of attention on climate change, including activities by non-governmental and political organisations as well as greater interest by the broader public, is likely to lead to additional regulations designed to tackle climate change. Policies and initiatives at national and international levels designed to achieve targeted outcomes in respect of climate change may affect business conditions and demand for services in the medium to long term. Customer response to climate change also presents risks to YWS due to growing customer demand for climate resilient and low carbon products and services. In addition, new regulatory regimes may adversely affect YWS's operations if YWS is unable to find economically viable and publicly acceptable solutions that reduce

carbon dioxide emissions for new and existing projects or services and the appropriate financing for such projects.

As part of YWS's response to mitigate the causes of climate change, two goals have been set: (1) to reduce operational carbon emissions to carbon neutral by 2030 as an interim target; and (2) to achieve net zero emissions across all scopes of emissions by 2050. This requires YWS to work collaboratively with its value chain to reduce the carbon intensity of its business, and particularly across scope 3 emissions. This extends the previous 2030 commitment to operational carbon to these wider emissions in line with the requirement for net zero claims.

Plans are being developed to achieve these goals, and these include reducing its use of grid electricity with up to 120MW generated by solar power and a target 40 per cent. of electricity to come from onsite renewables or private wire renewable sources. Carbon storage is another key aspect of the plan, storing up to 3.5ktCO2e per year through woodland creation, restoring peatland and other initiatives by 2030. YWS is also transitioning vehicles to a green fleet with 18 per cent. of light commercial vans to be electric by 2025 and a minimum of 50 per cent. targeted by 2030. Across AMP8, YWS will allocate c. £23 million of net zero enhancement investment plans to reduce methane and nitrous oxide process emissions associated with wastewater treatment. These are both potent greenhouse gases, with global warming potential many times greater than carbon dioxide. In the longer term, YWS has set out additional investment related to further reducing process emissions, and scope 3 emissions associated with purchased goods (e.g. chemicals) and services and capital goods (e.g. concrete and steel), in pursuit of its long-term net zero goal.

As a highly regulated organisation, there is a risk that YWS is unable to deliver its services and fails to fulfil its purpose as a company or that it invests heavily to mitigate climate-related risks which could lead to increase in customer fees and customer debt. New regulatory regimes may adversely affect YWS's operations if YWS is unable to find economically viable, technologically deliverable as well as publicly, politically and regulatorily acceptable, solutions that avoid and/or reduce its CO2 emissions for new and existing projects or services. These transition risks are reviewed annually by YWS under a climate principal risk and reported on in mandatory climate-related financial disclosures.

Energy accounts for a significant proportion of the cost of providing water services. Energy costs are forecast to rise in the short to medium-term due to a variety of factors, some of which are related to climate change mitigation and the move to renewable sources. The UK Government has committed to achieving its goal of becoming a net zero carbon emission country by 2050 and so energy transition costs will continue to be part of the cost of electricity. YWS may incur increased costs in the future due to increased electricity prices to account for carbon trading schemes and carbon prices applicable to electricity generators. Power outages may also increase in the future, causing operational challenges, delays and additional costs.

Measures to tackle loss of biodiversity and policies intended to protect local habitats may also limit access to water resources in areas deemed to be ecologically sensitive, which in turn could affect YWS's business. Failure to deliver the terms of any such policies or regulations on climate change, or indeed damage to the environment caused by YWS's business activities, could result in added reputational risk, legal proceedings, including prosecution and the imposition of fines and penalties or other measures being taken against YWS, which in turn could affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance, comply with its obligations under the licence and legislation and ultimately affect the payment of principal and interest under the Issuer/YWS Loan Agreement, and consequently the Issuer's ability to comply with its obligations under the Bonds. For

more information, please see Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Climate Change*". For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Uncertain Macroeconomic and Natural Environment

As at the date of this prospectus, YWS is exposed to significant uncertainty and volatility due to concurrent macroeconomic and natural factors including higher energy and chemical prices, inflation (including construction prices), increased labour costs, interest rates, currency exchange rates, increased borrowing costs and the possibility of extreme weather. The timing, volatility, unpredictability, and interaction of these factors alone and in combination creates uncertainty in forecasting and could lead to short or long term operational and financial cost pressures affecting YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance and comply with the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Funding costs

In 2022 and 2023, the UK experienced a significant increase in inflation which impacted the costs of YWS. High global inflationary pressures have moderated over the past 12 months, with UK CPI inflation reported at 3.4 per cent. in the 12 months to May 2025 and the Monetary Policy Committee of the Bank of England has elected to progressively reduce the base rate of interest since August 2024 to 4.25 per cent. on 8 May 2025.

Periods of high inflation can also give rise to timing mismatches between costs and revenues. Although YWS's revenues are linked to inflation, tariffs are not adjusted intra-year so revenue shortfalls may result until tariffs are increased the following year. Inevitable differences between the YWS cost base and the index make-up also mean that the adjustment may not simply be delayed but it may not correctly reflect YWS's increasing costs. Political pressures to maintain existing tariffs and provide other forms of customer support, may also arise (see also "*Inflationary consequences*" under "*Financing Risks*").

In the ordinary course of running its business, YWS requires regular access to both public and private debt markets in order to access funding required to maintain and invest in its business. Although the majority of YWS's existing borrowing is fixed rate (or effectively fixed rate), as new debt is required to be incurred or existing debt is required to be refinanced, YWS will be required to borrow money at market (and therefore increased) interest rates. The associated cost pressures (alone or in combination with other cost pressures) could have a material adverse impact on YWS and, consequently, on the Issuer's ability to meet its obligations (including in respect of financial ratios and the payment of principal and interest) under the Bonds.

Financial covenants

Under the Common Terms Agreement, YWS is subject to financial ratio tests which test historical and forecast periods.

The last published levels of these financial ratios (as taken from the Compliance Certificate dated 11 July 2025 in respect of the calculation date of 31 March 2025) as against the Trigger Event thresholds are set out below (see "*Financing Risks*" - "*Interest Cover Ratio and Leverage*"):

	31 March 2025	31 March 2026	Trigger (min)
Re-profiled Class A Adjusted ICR	1.45x	1.50x	1.3x
Re-profiled Senior Adjusted ICR	1.31x	1.40x	1.1x
Re-profiled Class A Average Adjusted ICR	1.56x	1.80x	1.4x
Re-profiled Senior Average Adjusted ICR	1.45x	1.70x	1.2x

However, costs (including interest rates, energy costs, chemical costs and inflation) relating to macro-economic and geo-political factors, natural environment factors (including extreme weather events and customer payment behaviour (especially in the context of the cost-of-living crisis) can have a significant effect on the results of these ratios and, in respect of forecast periods, YWS must make projections in respect of these factors which require subjective determinations and forecasts. See also "*Operational Risks – Increased operating expenditure and impact on financial ratios*" and "*Energy and Chemical*" markets below. YWS management continue to prudently manage and monitor operating expenditure and their impact on financial ratios.

Exceptional expenditure (for example (but not limited to) extreme weather events) has, under the provisions of the Common Terms Agreement, historically been disregarded for the purposes of calculating interest cover ratios. Changing accounting standards and guidance may, depending on the nature of such exceptional expenditure, affect whether such expenditure can then be shown as an exceptional item in the financial statements of YWS or need to be disclosed in full in other sections of the annual report and financial statements.

In addition, while there is no expectation that YWS will not receive timely repayments referred to in the structured repayment plan (described in "*Breach of Instrument of Appointment Conditions*" below and Chapter 5 "*Description of the YW Financing Group*", "*Regulatory developments*"), depending on other circumstances at the time if such scenario should arise there could be an adverse effect on YWS's business, and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and ultimately affect the payment of principal and interest under the Issuer/YWS Loan Agreement, and consequently the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

YWS is required to include in each Investor Report supplied with each Compliance Certificate such information (financial, accounting and regulatory) as in its reasonable opinion will allow investors to relate the relevant financial covenant calculations to the most recent financial determination and the financial statements supplied with it (including any regulatory depreciation, pay-as-you-go rate/percentage, totex or RCV information and any opex, capex or other accounting information).

Under the Common Terms Agreement various additional protections for Secured Creditors come into effect following the occurrence of a Trigger Event. Such protections include restrictions on YWS making payments (including dividends) to Associates, certain restrictions on raising newly committed incremental indebtedness and increased reporting and information requirements. See also Chapter 7 "*Overview of the Financing Agreements* – Common Terms Agreement – *Covenants – Financial Covenants*".

A Trigger Event is not an Event of Default, does not lead to a Standstill Period and gives no right to Secured Creditors to take enforcement action or accelerate any Financial Indebtedness, nor would a Trigger Event restrict payments under the Issuer/YWS Loan Agreement.

The occurrence of a Trigger Event is unprecedented for YWS, and not common for YWS' peers with similar financing structure, and therefore it is uncertain what the effects beyond the direct protective consequences for Secured Creditors set out in the Common Terms Agreement would be should a Trigger Event occur. The occurrence of a Trigger Event may, for example, lead to increased regulatory and/or political pressure on YWS, affect the perception of YWS in the credit-markets, the value of Bonds and/or the credit rating assigned to Bonds.

The occurrence of a Trigger Event (or Event of Default) could also have an adverse effect on YWS's business, reputation, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may ultimately result in the occurrence of an Event of Default)) and to raise finance effectively and efficiently, comply with its obligations under the licence and legislation and ultimately affect the payment of principal and interest under the Issuer/YWS Loan Agreement, and consequently the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Thames Water and the UK Water Sector

On 5 April 2024, Thames Water Utilities Limited's ("**Thames Water**") indirect parent company, Kemble Water Finance Limited, announced that it had sent formal notices of default to the holders of its debt instruments and to the respective agents under its banking facilities. In addition, on the same date Thames Water (Kemble) Finance Plc sent formal notice of default to the note trustee in respect of its £400,000,000 4.625 per cent. Senior Secured Notes due 2026. There has been significant press speculation surrounding Thames Water's financial position since June 2023 when Thames Water's CEO Sarah Bentley resigned. In March 2024, Thames Water and its ultimate equity shareholders announced that they viewed the regulatory arrangements that are expected to apply to Thames Water in AMP8 make the business plan submitted by Thames Water for PR24 "uninvestible".

In February 2025, the High Court approved a rescue finance plan (implemented via a restructuring plan under Part 26A of the Companies Act) proposed by Thames Water which was designed to extend liquidity and provide a stable platform for Thames Water to raise capital and implement a more holistic recapitalisation solution. In March 2025, the Court of Appeal upheld the decision of the High Court to sanction a restructuring plan proposed by Thames Water Utilities Holdings Limited (the shareholder of Thames Water Utilities Limited, the licensed entity) to secure interim bridge financing ahead of negotiating and implementing a holistic recapitalisation to raise equity from new investors and renegotiate its debt, expected to be implemented by way of a second restructuring plan later in 2025. The challenges and appeals brought by the Class B Creditors, Thames Water Limited (direct shareholder and subordinated creditor of Thames Water Utilities Holdings Limited) and a Member of Parliament, Charles Maynard were dismissed. Notwithstanding the interim rescue financing, Thames Water's immediate financial position is likely to remain uncertain until a more holistic recapitalisation has been completed.

There continues to be on-going press speculation that Thames Water may be subject to a Special Administration Order or a debt restructuring plan. The special administration regime has not previously been used for a UK water company, and its application or speculation as to its application could lead to a temporary and/or permanent decrease in investor confidence for companies in the UK water sector, particularly those with higher levels of gearing.

These factors could result in a reduced ability for YWS or the Issuer to raise new capital to refinance existing indebtedness or to finance YWS's business plan. These factors could also result in a higher cost of funding for any capital raised by YWS or the Issuer.

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

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

Regulatory and Competition Risks

Regulated Business

The water industry is subject to extensive legal and regulatory controls with which YWS must comply. The application of the laws, regulations, standards and policies published by Ofwat, by DEFRA, the England and Wales Drinking Water Inspectorate ("**DWI**"), the EA, the Health and Safety Executive ("**HSE**"), Natural England and other regulators (as well as any future changes to any of these laws, regulations standards and policies), could (i) result in increased costs, reduced income, reduced RCV, lower margins and greater uncertainty of returns and/or reduced investor confidence leading to funding pressures in the context of raising finance and refinancing debt on an ongoing basis and/or (ii) have a material adverse impact on the business, financial condition or operational performance of YWS, which in turn could have a material adverse effect on YWS's and the Issuer's ability to comply with its financial obligations (including the payment of principal and interest) under the Bonds.

Changes to regulation and the regulatory regime (either through political or regulatory events) may increase operating costs, reduce income and margin and lead to greater variability of returns. Future intervention by the UK Government in the water sector, or changes in governmental policy, may affect the Issuer's ability to meet its obligations under the Bonds. In addition, macro events such as ongoing global conflicts have the potential to alter the stability and certainty of regulation.

In this context potential investors should be aware of the following:

PR24

YWS operates within an economic regulatory framework whereby Ofwat sets price controls on the revenues that YWS can raise and, together with the DWI and EA (each sponsored by DEFRA), monitors and enforces compliance with YWS's licence, service and environmental obligations. The turnover, profitability and cashflow of YWS are substantially influenced by the revenue and price control arrangements established by Ofwat. Any decisions regarding revenue and price control arrangements that are detrimental to, or lead to a reduction in the revenues of, YWS may affect the ability of the Issuer to fulfil its obligations under the Bonds. For more information on the regulatory framework please see Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales – Water and Wastewater Regulation Generally*".

The current price controls are for the period starting in 2025 ("**PR24**"). On 13 December 2022, Ofwat published its final methodology for PR24 that sets the framework it will use for the price control period from 2025 to 2030 for water and wastewater monopoly services providers in England and Wales (the "**PR24 Final Methodology**"). The PR24 Final Methodology emphasises that the water sector faces significant challenges, including that greater resilience to drought and significantly better outcomes for the environment and more responsive services for customers are required. On 16 December 2022, DEFRA published legally binding targets to protect the environment pursuant to the Environment Act. These targets include cutting water pollution and are the latest of a series of environment measures reflecting increasing social and political concern about the environment.

Ofwat published its final determinations for PR24 on 19 December 2024 (note Ofwat republished some relevant documents with corrections on 10 April and 12 May 2025) (the "**FD**"). Ofwat's cost assessment provided the total funding that had been requested in YWS's DD Response, although the split of these allowances was different to that which YWS requested. The Board of YWS concluded not to seek a redetermination from the Competition and Markets Authority ("**CMA**") (see further details in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales – PR24 Final Determinations*" below).

In order for YWS to continue to deliver its services in compliance with existing and future environmental measures, targets, legislation and regulation, YWS may need to access further funding (see "*Financing Risks – Future Financing*"). Access to further funding is dependent on the regulatory process including future price reviews, and the regulatory framework including any changes arising from recommendations from the Independent Water Commission (see "*Regulatory Developments – Cunliffe Review*").

If YWS is not able to finance expenditure and investment programmes (whether through insufficient revenues and/or the linked ability to raise capital), YWS may face challenges in meeting its compliance obligations over successive AMPs and is therefore likely to incur reputational damage, economic penalties and/or fines which would of themselves further adversely affect YWS's ability to raise the revenue and capital required to meet its compliance obligations. This could in turn lead to enforcement action being taken against YWS (see Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales – Enforcement Powers*"), which could in turn affect YWS's ability to make payments of principal and interest under the Issuer/YWS Loan Agreement, and consequently the Issuer's ability to meet its obligations under the Bonds issued under the Programme.

Instrument of Appointment

As further described in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Instrument of Appointment*", YWS operates in accordance with its Instrument of Appointment. In November 2021, the Environment Act received royal assent which has introduced new provisions into the WIA which give Ofwat the power to modify a licence without the consent of the Regulated Company, subject to consultation and a right of veto on the part of the Secretary of State. There is, however, a process that must be followed before such a situation occurs, including that Ofwat or the Secretary of State (as applicable) must consider any representations or objections made by the existing Regulated Company and other consultees. For example, please see Risk Factor "*Impact of Ofwat adopting tighter regulatory measures to achieve financial resilience*".

In addition, Ofwat has introduced a new principles-based licence condition (Condition G, effective from February 2024), which provides a clear regulatory basis for the requirement for companies to treat customers fairly, including by providing support to customers in vulnerable circumstances.

The UK Secretary of State has a power to veto modifications proposed by Ofwat, within a specific timeframe. Should a modification to the licence be made, YWS is entitled to seek permission within a specified timeframe and if granted, to appeal the modification to the CMA.

In determining whether any matter operates or may be expected to operate against the public interest, the CMA is to have regard to the matters in relation to which duties are imposed on the Secretary of State and Ofwat. Modifications could also result from a decision on a merger or market investigation reference by the CMA under the Enterprise Act if it concludes that matters under investigation in relation to water or sewage services were anti-competitive or, in certain circumstances, against the public interest. In addition, the Secretary of State has a power to veto certain proposed modifications agreed by Ofwat and YWS. Other proposed modifications agreed by Ofwat and YWS may be vetoed if it appears to the Secretary of State that the modifications should only be made, if at all, after a reference to the CMA. Primary legislation can create powers for the making of modifications by Ofwat

without the consent of Regulated Companies. Section 55 of the Water Act 2014 provides for modification of a licence where necessary and expedient as a consequence of a provision made by or under Part 1 of the Water Act 2014.

Any modification to the conditions of the Instrument of Appointment could have a material adverse impact on the business, financial condition or operational performance of YWS and, consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds. For more information please see Chapter 6 "*Regulations of the Water and Wastewater Industry in England and Wales*" under "*Competition in the Water Industry*".

Breach of Instrument of Appointment Conditions

As described in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Enforcement Powers*", a failure by YWS to comply with the Instrument of Appointment Conditions or certain statutory duties, may result in an Enforcement Order by Ofwat, or the Secretary of State, or the imposition of financial penalties of up to 10 per cent. (for each respective breach) of its annual turnover, which could have a material adverse impact on YWS.

Failure by YWS to comply with any Enforcement Order (as well as certain other defaults) could eventually lead to the making of a Special Administration Order (see Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Instrument of Appointment*") which could also have an adverse impact on YWS. Any breach to the conditions of the Instrument of Appointment could have a material adverse impact on the business, financial condition or operational performance of YWS and, consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

On 13 October 2022 Ofwat announced that it had closed an enforcement case into YWS after it agreed a structured plan with YWS (see Chapter 5 "*Description of the YW Financing Group*", "*Regulatory developments*"). Ofwat made this decision on the basis that it is in the interests of customers for the loans' repayment plan to have greater certainty, and that the package of commitments put forward by YWS will improve its available financial resources. Ofwat opened the case due to concerns about the novation of the loans that YWS had originally made with Ofwat consent to other companies within its wider company grouping. No Trigger Event occurred under the Common Terms Agreement as a result of this enforcement case.

During the investigation, YWS took steps to address Ofwat's concerns about these loans. Ofwat has stated that the structured repayment plan and additional commitments YWS put forward have both addressed these concerns and secured additional benefits for customers. YWS has provided these commitments as Section 19 Undertakings. The relevant Section 19 Undertakings include: (i) requesting that the loans be repaid to YWS on a staged basis of at least £300 million due to be paid by the end of June 2023, £200 million due to be paid by the end of March 2025 and with the remaining balance of approximately £440 million due to be paid by the end of March 2027; (ii) subject to external factors beyond YWS's control and beyond the existing regulatory expectation that all water companies should manage their financial resilience to ensure that they withstand economic and cost shocks (excluding any agreed early start investment for AMP8 and any accelerated investment in AMP7), that YWS should achieve a gearing level on a regulatory basis of no higher than 72 per cent. by 1 April 2025 and (iii) YWS investing an additional £180 million into the infrastructure to enable it to meet its target of exceeding the commitment made in the Government's Storm Overflows Reduction Plan to reduce the average number of discharges from storm overflows by 20 per cent. from a 2021 baseline. YWS received an initial instalment of £400 million by the end of June 2023, in excess of the £300 million instalment agreed with Ofwat. Subsequently, YWS received a second instalment of £100 million during May 2024. In combination, the initial and second instalments received total £500 million and satisfy the undertakings to repay at least £300 million by the end of June 2023 and £200

million by the end of March 2025. While there is no expectation that YWS will not receive the other timely repayments mentioned above, if such scenario should arise, depending on other circumstances at the time there could be a material adverse impact on YWS and, consequently, on the Issuer's ability to meet its obligations (including in respect of financial ratios and the payment of principal and interest) under the Bonds.

A breach of a Section 19 Undertaking could result in Ofwat making an Enforcement Order against YWS under Section 18 of the WIA (see above and Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Enforcement Powers*"). Any non-compliance by YWS with any such Enforcement Order could also have a Material Adverse Effect resulting in the occurrence of a Trigger Event under the Common Terms Agreement, which may ultimately have an adverse impact on the Issuer's ability to meet its obligations under the Bonds issued under the Programme (see Chapter 7 "*Overview of the Financing Agreements*" under "*Trigger Event Consequences*").

Termination of the Instrument of Appointment

As described in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Termination of an Instrument of Appointment*", there are certain circumstances under which YWS could cease to hold its Instrument of Appointment for all or part of its region.

Under section 9(4) of the WIA, if the Secretary of State or Ofwat were to make an appointment or variation replacing YWS as the regulated water and sewerage undertaker for its currently appointed area, they would have a duty to ensure (so far as consistent with their other duties under the WIA) that the interests of YWS's creditors were not unfairly prejudiced by the terms on which the successor Regulated Company (or Companies) replacing YWS could accept transfers of property, rights and liabilities from YWS. There is, however, a process that must be followed before such a situation occurs, including that Ofwat or the Secretary of State (as applicable) must consider any representations or objections made by the existing Regulated Company and other consultees. Thus far there is no precedent to indicate how compulsory licence terminations or Special Administration Orders would work in practice for Regulated Companies, nor is there any precedent for such Regulated Companies to indicate the extent to which creditors' interests would be protected (see the paragraph on "*Security*" below).

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

Periodic Review

The turnover, profitability and cashflow of the Appointed Business is substantially influenced by the price controls and by the service levels, regulatory targets and the associated incentives and penalties that are established by Ofwat in its Periodic Review, and subsequently by Ofwat's assessment of delivery against those factors.

There are separate water resources, water network and wastewater networks price limits which are linked to CPIH plus or minus K (in line with current methodology). There are also separate bioresources and retail household price limits and these are linked to mechanisms which calculate the average revenue controls each year. The bioresources control is linked to a metric known as tonnes of dry solids produced and retail household is linked to the number of customers in the year. Within PR24, Ofwat continued to assess the efficiency of bioresources and wastewater projects separately and in isolation. Ofwat has also separated developer services costs and revenues (for water and wastewater new connections activities) from the wholesale price controls.

Ofwat has a duty to exercise and perform its powers and duties in the manner it considers is best calculated to secure that companies holding an instrument of appointment are able (in particular, by

securing reasonable returns as capital) to finance the proper execution of their functions. An adverse price determination, (which would adversely affect turnover, profitability and cashflow), may occur as a result of a number of factors. These include an inadequate allowed cost of capital or regulatory assumptions concerning operating expenditure and required capital expenditure and insufficiently accurate turnover forecasts. In addition, unforeseen financial obligations or costs may arise after a Periodic Review (for example, as a result of ensuring regulatory compliance or changes to legislation or regulatory requirements) that were not taken into account by Ofwat in setting price limits and are consequently not compensated for, which could materially adversely affect financial performance.

If a Periodic Review was determined adversely, this could have a material adverse impact on YWS's business, results of operations and overall financial condition, as well as its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance, comply with its obligations under the licence and legislation and may ultimately affect the payment of principal and interest under the Issuer/YWS Loan Agreements. Any such adverse determination may consequently affect the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds. A detailed description of the process under which Ofwat determines price limits for YWS is described in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Economic Regulation*". For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Interim Determinations

An interim determination of a price limit may be made between Periodic Reviews in specified circumstances including the circumstances contemplated by the Substantial Effects Clause in the licence. An interim determination could reduce the amount of revenue which YWS is able to charge to its customers, and could affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance, comply with its obligations under the licence and legislation and may ultimately affect the payment of principal and interest under the Issuer/YWS Loan Agreements, and consequently the Issuer's ability to meet its obligations under the Bonds. For more information please see Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Interim Determinations*". For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Regulatory changes affecting RCV

RCV may be reduced or discontinued or the methodology for its calculation changed without modification of YWS's Instrument of Appointment. An amendment to Ofwat's reconciliation process, which could result in a lower RCV for YWS, is a risk which could adversely affect YWS's business and financial performance. This may impact the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Changes in the specified inflation index

In its Water 2020 Paper, Ofwat stated that it intended to amend all water company licences, including YWS's Instrument of Appointment, so that wholesale revenues will be indexed by CPI (or CPIH) from 1 April 2020. As per the price review 2019 ("**PR19**") final methodology published in December 2017, Ofwat has linked revenues to CPIH from 1 April 2020. In addition, 50 per cent. of RCV as at 1 April 2020 is now being indexed by RPI and the remainder of the RCV as at that date, plus any new RCV added after that date is being indexed by CPIH. As part of the consultation on the PR24 Final

Methodology, and consistent with previous guidance, Ofwat confirmed its intent to fully transition to CPIH indexation at PR24. As with many peer companies, YWS has long-term liabilities under which payments are linked to RPI and therefore, where revenues cease to be linked to RPI, YWS will be exposed to basis mismatch in respect of these liabilities (albeit this may be mitigated in the future to some degree if RPI is modified in 2030). During September 2023, YWS executed £300 million of RPI to CPI swaps which will mature in 2030 to hedge the basis risk exposure created by RCV indexation. Exposure to fluctuations in inflation and between different indices in the future creates an element of unpredictability and basis mismatch that could have adverse consequences on YWS's business, results of operations and overall financial condition, and consequently on its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default), its ability to raise finance, and comply with its obligations under the licence and legislation and ultimately have an adverse impact on the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

The national and international economic uncertainties may put pressure on YWS's input costs, and energy and other commodity costs may rise at rates above RPI or other indices used to determine future RCV and revenues.

Environmental regulatory and statutory obligations

YWS's water supply and sewerage operations are subject to a number of UK environmental laws and regulations relating to the protection of the environment and human health and it is possible that YWS and other Regulated Companies will incur significant costs in complying with existing and future laws and regulations.

Ofwat oversees compliance with wider environmental obligations contained in Section 94 of the Water Industry Act 1991, the Urban Waste Water Treatment Regulations 1994 (the "**UWWTR**") and YWS's licence at Condition P12, whilst the EA monitors compliance primarily against the Environmental Permitting (England and Wales) Regulations 2016 (the "**Environmental Permitting Regime**"). Any breach of this legislation (including failure to deal with the effects of any impact on the environment and/or upgrade plant and equipment, or a breach of an environmental permit granted by the EA) or water quality standards could result in potential enforcement action, financial penalties, formal undertakings to Ofwat as result of Ofwat's actions and/or prosecution and potentially substantial fines from court proceedings brought by the EA. In general, environmental legislation imposes strict obligations on those who manage waste with few defences for non-compliance. In particular, there is no statutory defence where a discharge or pollution event has occurred in relation to some offences.

As described in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Environmental Regulation*", Ofwat has the ability to impose financial penalties on water companies for any breach of relevant legislation and/or licence conditions.

The EA has the ability to bring criminal proceedings for a breach of relevant legislation which may result in a court imposing a fine. Following the implementation of the sentencing council guidelines for environmental offences in July 2014, the courts have the power to impose fines significantly in excess of £1 million per incident in cases involving the higher levels of culpability. Any financial penalties imposed on YWS for breach of environmental legislation could have a significant impact on its financial condition and/or the interests of the Bondholders.

In July 2024, the Supreme Court handed down its judgment in *The Manchester Ship Canal Company Ltd (Appellant) v United Utilities Water Ltd (Respondent) No 2* [2024] UKSC 22, finding that the Water Industry Act 1991 does not prevent the Appellant canal company from bringing a claim in

private nuisance or trespass when the canal is polluted by discharges of foul water from the outfalls of the Respondent (United Utilities), even if there has been no negligence or deliberate misconduct on the Respondent's part. YWS was not involved in these proceedings and to date, there has not been any increase in numbers of claims against water companies or impact the regulatory system they are subject to.

The Office for Environmental Protection (the "**OEP**") and the UK Government continue to scrutinise environment and water regulators in England and Ofwat more generally. On 12 September 2023, the OEP announced that, as a result of information gathered during its investigation, it believes there may have been failures to comply with environmental laws by Ofwat, the EA and DEFRA. Similarly, in 2023, the House of Lords Industry and Regulators Committee published a report on its inquiry into the work of Ofwat. Its key findings included that Ofwat and the EA must go further to hold water companies accountable for environmental pollution through penalties and prosecution and that water companies have been overly focused on maximising financial returns at the expense of the environment, operational performance and financial sustainability. Given that YWS is regulated by both the EA and Ofwat, there may be heightened financial risks for YWS if the EA and/or Ofwat adopt a stricter enforcement approach in light of the OEP's criticism. The OEP provided a further update in December 2024 to confirm they had issued a Decision Notice against the three parties. Further information in terms of next steps is awaited.

There is also a heightened focus on compliance with regulation on storm overflows. As further described in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Storm Overflows*", the Environment Act introduced obligations on sewerage undertakers to report annual by 1 April on a range of data related storm overflows. The Environment Act also required the Secretary of State to prepare a plan to reduce such discharge and their adverse impacts, and report annually on its implementation. The plan, titled "Storm overflows discharge reduction plan" was published in August 2022 and updated in September 2023 and set out targets for water companies in relation to storm overflows. Ofwat similarly published measures in June 2023 penalising companies that do not fully monitor storm overflows. YWS may need to incur material capital expenditure in updating facilities to increase storm capacity and/or reduce the inflow to networks or treatment works, in order to improve future performance and/or as a result of the EA removing or limiting the ability to make discharges. There can be no certainty as to how and whether future environmental laws and regulations will impact the business and financial condition of YWS and/or the interests of the Bondholders. In addition, while YWS has received significant funding for this programme in the FD, it is possible that the funding provided for fulfilling certain obligations is lower than the actual cost incurred. In such circumstances, YWS may bear the additional cost element. Failure by YWS to meet the targets set out by Ofwat or in the Government's plan for reduction of storm overflows could result in fines or a requirement for them to return money to their customers. See "*Risk Factors*" and in particular, "*Risk Factors – Risks relating to the Issuer – Litigation – Impact of Ofwat adopting tighter regulatory measures to achieve financial resilience, Environmental regulatory and statutory obligations*".

In summary, it is possible that YWS and other Regulated Companies will incur material capital expenditure in the future to comply with requirements imposed under existing or future environmental laws and regulations (including nature conservation legislation). Furthermore, if any enforcement action is taken against YWS by the EA or Ofwat, this could materially and adversely affect YWS's reputation and/or financial position and consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Investigations

Companies operating at the size and scale of YWS are sometimes subject to various investigations, claims, disputes and potential litigation.

In November 2021, the EA and Ofwat announced separate investigations into sewage treatment works across all water companies in England and Wales in relation to the release of unpermitted sewage discharges into rivers and watercourses. Ofwat initially opened enforcement cases into six water companies noting that it will keep its enforcement cases "under review" and that the "companies in focus may change as new information comes to light". On 12 December 2023, Ofwat confirmed in a press release that YWS, Thames Water and Northumbrian Water had received provisional findings in respect of their investigations but that no further comment would be made in respect of those provisional findings. YWS continued to cooperate with the investigation. On 16 July 2024, Ofwat announced the expansion of its investigation to four more water and wastewater companies and served formal notices on Dŵr Cymru Welsh Water, Hafren Dyfrdwy, Severn Trent and United Utilities.

On 6 August 2024, Ofwat published its draft penalty and enforcement notice (the "**Ofwat Notice**") from its investigation into Yorkshire Water's management of wastewater treatment works and wider sewer networks including the operation of storm overflows. As outlined in the Ofwat Notice, Ofwat have, subject to consultation responses, concluded that Yorkshire Water had contravened Regulation 4(4)(a) of the UWWTR by failing to ensure that its wastewater treatment works are designed, constructed, operated and maintained to ensure sufficient performance under all normal local climatic conditions, in addition to Regulation 4(2) and Schedule 2 of the UWWTR. Ofwat further found that YWS had contravened section 94 of the WIA as it had failed to provide a system of sewers and to cleanse and maintain those sewers so as to ensure that its catchment area is effectually drained and that it has not made proper provision for the emptying of those sewers by means of wastewater treatment works. Additionally, Ofwat concluded that YWS had failed to comply with Condition P of its Instrument of Appointment since at least 2017.

YWS concluded this investigation in March 2025 by agreeing to a set of formal undertakings requiring redress to be made in the total sum of £40 million and steps to be taken to secure compliance with UWWTR, section 94 of the WIA and Condition P of its Instrument of Appointment. A financial penalty was not imposed.

The EA investigation is continuing. YWS (along with all other water and sewerage companies) received a number of formal information requests from the EA to share data in relation to its wastewater treatment sites, sewage pumping stations and combined sewer overflows ("**CSOs**"). These formal information requests were made under s108 Environment Act 1995, and the EA is carrying out a criminal investigation (which could lead to a fine or other actions being taken against YWS). As at the date of this Prospectus, YWS continues to cooperate with the EA's information requests, however, the EA has not provided any further indication on timing or progress of the investigation. It may be several months, possibly a number of years, before there is an outcome. If the EA decides to take enforcement actions against YWS for any specific breaches, they could choose to bring prosecution proceedings where fines imposed by a criminal court are subject to sentencing council guidelines (which given the turnover of YWS, can be unlimited) or there may be a civil sanctions where a number of options are available to the EA.

In the financial year ended 31 March 2025, the EA has accepted various enforcement undertakings given to the EA by YWS following incidents in connection with its wastewater treatment works.

The implementation of fines and penalties for environmental pollution offences, and the possibility of significant public, media and political scrutiny of YWS as a result of the investigations, could affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance, comply with its obligations

under both the licence and legislation. Such factors could in turn affect YWS's ability to make payments of principal and interest under the Issuer/YWS Loan Agreement, and consequently the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants - Trigger Events – Events of Default*".

Competition in the water industry

The Water Act 2014 extended retail competition for water and sewerage services to all eligible non-household customers in England from April 2017. The extent of competition in the sector is very largely determined by primary legislation, given effect by Ofwat through its regulation. On the basis of primary legislation, Ofwat has taken steps to implement the statutory provisions for competition in the water supply and sewerage industry via the Water Supply and Sewerage Licencing (the "**WSSL**") regime. YWS does not operate as a retailer to the non-household sector, but provides wholesale services to retailers that hold WSSL licences. However, the household retail market was not highlighted as an area of focus for Ofwat's competition activities under DEFRA's latest Strategic Policy Statement for Ofwat published in February 2022.

Ofwat has also used regulatory policy and practice to introduce some competition into the water and wastewater value chain and the regulator has expectations that YWS as an incumbent water company will support and facilitate competition for the benefit of customers. This has included introducing the bid assessment framework for bioresources and establishing Direct Procurement for Customers ("**DPC**"), creating competition for new investments for large discrete new network investment projects. In this competitive model YWS would not own these assets but would collect the revenue enabling their costs to be recovered on behalf of the Competitively Appointed Provider (CAP) on a pass through basis.

Increased competitive activity and the introduction of new suppliers and new appointees ("**NAVs**") within YWS's water and sewerage regions could expose YWS to increased scrutiny. Consequently, this could increase the risk of Ofwat finding (following an investigation under the Competition Act or the WIA) that YWS has breached one of these requirements. This, in turn, could result in substantial fines, legal proceedings and/or have a negative impact on YWS's operations and reputation (including loss of revenue) which in turn could affect its ability to make payments of principal and interest under the Issuer/YWS Loan Agreement, and consequently the Issuer's ability to meet its obligations under the Bonds issued under the Programme.

Operational Risks

Increased operating expenditure and impact on financial ratios

There have been cost pressures across some of the other key components of YWS's cost base (labour, energy, chemicals and other costs) and these are expected to continue beyond the current financial year 2025/26. Such costs will only be partly recovered from future customer bills in line with established regulatory mechanisms for Totex underperformance. In the past year, these pressures have included additional operational pressures resulting from severe weather, including five named storms in the period from September 2024 to January 2025, and the driest spring period in Yorkshire for 132 years.

As at the date of this Prospectus, as part of the prudent management of the business, YWS's management continue to evaluate the extent and manner in which operational expenditure may be managed tightly given these circumstances and which measures may feasibly be undertaken in order to reduce operating expenditure. YWS's management expect that this cost management approach will be adaptable to demands faced by YWS over time. However, there can be no guarantee that YWS will

be able to manage operating expenditure to a significant enough extent or within a timescale to meet its financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default).

Under the Common Terms Agreement, YWS is subject to certain interest cover financial ratios which are calculated on the basis of Net Cash Flow as the numerator and interest cost or adjusted interest cost as the denominator. The calculation of Net Cash Flow for any given period varies depending on the operating expenditure incurred during that period, and therefore, where YWS experiences greater operating expenditure with no immediate recovery (either in full or in part) from customer bills then its Net Cash Flow (and the levels of interest cover under the financial ratios which YWS is subject to) may be reduced. It should also be noted that other factors beyond operating expenditure may impact the calculation of financial ratios. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements* – Common Terms Agreement – *Covenants – Financial Covenants*".

In calculating the financial ratios required to be calculated under the Common Terms Agreement, YWS management are required to use assumptions in projected financial ratio calculations which, among other things, are made in good faith, based on available information and genuinely represent a prudent view. Despite the best estimation and due diligence being undertaken by management, by their nature, projections used in financial ratio calculations (which may include schemes to reduce operating expenditure) may, in the fullness of time, turn out to vary to the actual outcomes confirmed for reporting purposes. Divergences between actual and projected ratio calculations may arise due to a number of different factors, including, but not limited to, macroeconomic factors, unforeseeable circumstances arising at a later date or inability for YWS to deliver against targets underpinning forecast assumptions.

Increased operating expenditure and difficulties in reducing such expenditure in a timely manner could affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance, comply with its obligations under the licence and legislation and ultimately affect the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Energy and Chemical markets

Pricing in energy and chemical markets has become substantially more volatile than in recent years.

YWS's energy hedging arrangements prioritise increased coverage for near term periods, reducing cover progressively across a rolling three-year period. YW is therefore more exposed to movements in energy prices in future years.

YWS is taking steps to secure long term sources of renewable energy, reduce the energy demands of the business and enter into alternative hedging mechanisms including power purchase agreements and physical hedges. More recently YWS has secured two long term corporate power purchase agreements with tenors of 10 and 15 years, providing cost certainty for 40 per cent. of hedged baseload through AMP7, AMP8, AMP9 and into AMP10. However, it should be noted that the proportion of energy requirements hedged by YWS will reduce over time and if such alternative mechanisms are not put in place, YWS would be further exposed to any adverse market movements in energy prices in AMP8 and beyond.

In PR24, Ofwat introduced an energy cost adjustment, whereby allowed costs are set on the basis of an assumed path for the industrial energy price series of Department for Energy Security and Net Zero

("**DESNZ**"). The difference between the assumed index and the actual index will be adjusted pursuant to the energy cost adjustment at the end of AMP8. If YWS's actual energy costs exceed those assumed in the DESNZ index, YWS may have to return allowed costs through the adjustment mechanism, such that allowed costs are no longer covered. If the costs assumed by Ofwat's PR24 index are lower than those in the actual DESNZ index, the adjustment mechanism will provide additional allowed revenue in AMP9.

YWS is reliant upon the regular supply of key chemicals (particularly aluminium and ferric sulphates) to carry out its water treatment processes and in some cases, the cost of the chemicals used by YWS has increased (due to, among other things, the energy costs incurred in manufacturing the chemicals and supply shortages).

The YWS need for ferric sulphate will increase during AMP8 and beyond as it will be required to reduce the phosphorus content of the final effluent. The risks to the supply chain are enhanced by the strong market position that some of the chemical manufacturers enjoy. The Centre for Protection of National Infrastructure (CPNI) and National Cyber Security Centre (NCSC) are government bodies that recognise the supply of key chemicals as one of the 13 sectors of Critical National Infrastructure (CNI). Each sector has one or more Lead Government Department(s) responsible for ensuring protective security is in place. For chemicals this includes protection from major detrimental impact on the availability, integrity or delivery of essential services caused by supply disruption or competitive issues amongst suppliers. However, there can be no guarantee that such protections will adequately cover any issues associated with the chemical supply chain.

The associated costs pressures (alone or in combination with other cost pressures) could affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance, comply with its obligations under the licence and legislation and ultimately affect the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Supply chain partners

YWS needs to continue with tight management of the operating costs in an environment where it has experienced supply-chain inflationary pressures, including but not limited to the procurement of energy and chemicals. Reliable access to these chemicals is essential to minimise the risk of water contamination and the market is made more difficult by the strong market position enjoyed by many of the suppliers (as to which see the risk factor "*Energy and Chemical markets*" above). Furthermore, parts of the supply chain were recently disrupted by the exit from the European Union and such disruption may continue. Failure of any part of the supply chain will therefore fuel cost pressures and could affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance, comply with its obligations under the licence and legislation and ultimately affect the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Procurement Risk

YWS is currently subject to the Utilities Contracts Regulations 2016 (the "**UCR 2016**") which require utilities to follow certain procedures when contracts for the pursuit of their utility activity and over specified financial thresholds are proposed (currently £429,809 for services and £5,372,609 (both

including VAT) for works). The primary obligation of this legislation is to ensure that the contract award is carried out in a transparent and non-discriminatory manner by conducting a competitive tendering procedure. A new regime under the Procurement Act 2023 (the "**PA 2023**") came into force on 24 February 2025 (which will maintain the financial thresholds that are currently in place).

Non-compliance with such regulations could result in contracts being declared by a court "ineffective" under the UCR 2016 ("set aside" under the PA 2023) and YWS becoming liable to damages claims from unsuccessful tenderers, as well as potential disruption and further costs to the operation of YWS's business. This may adversely affect YWS's ability to make payments of principal and interest under the Issuer/YWS Loan Agreements, and consequently result in the Issuer's inability to meet its obligations under the Bonds issued under the Programme.

Technology and Information Risk

Data is strategically important at a national and global level, including for YWS and the community it serves. Infrastructures that accumulate vast amounts of data, and the physical sites that house them, are susceptible to both system failures and targeted attacks, which could negatively impact YWS's business operations. YWS is a category 2 responder under the Civil Contingencies Act and as such is required to comply with its obligations under this duty, which covers both digital and physical security. Working with government and local resilience forums regionally and nationally, YWS is supporting the government in developing a stronger management framework to address risks associated with data storage and processing infrastructure. These data infrastructure related risks are under consideration as part of the UK National Risk Register.

All risk owners (including YWS) have been asked to consider data infrastructure-related risks. Examples of such risks include simultaneous loss of all fixed and mobile forms of communication the impacts of high temperatures and heatwaves, the disruption of space-based positioning and navigation systems and services and wider failure of the National Electricity Transmission System (NETS). Physical threats - from unauthorised access to critical facilities to disruptions caused by extreme weather - are part of this broader risk landscape.

The increased use of online communications and cloud-based technology, smart technologies and the internet within YWS requires enhanced protection. YWS faces a transition risk as it progresses through its Strategic Change programme to modernise its technology. This is necessary to address the digital age and increasing customer experience expectations for both internal and customer information. The need to protect against unauthorised disclosure and improper use is particularly important, given the growing sophistication of hackers and the increased risk of cyber-attacks. Failure to keep key business systems or data secure from a malicious attack, or failure of YWS's cyber security measures, could result in sensitive data being released. The YWS Security Steering Group monitors delivery of the information security policy and procedures. The Group is committed to the continuous improvement of YWS's cyber and physical security controls and culture. The general IT control framework automates and embeds security controls, and in particular security controls relating to data access. YWS is improving the resilience of its infrastructure through targeted investment that includes regular testing of back-up and recovery procedures and ongoing training, development, and communication for all staff to improve security culture and compliance. A range of information and cyber security projects are further improving YWS's control environment, to maintain GDPR compliance, Network Information Systems Directive and readiness for the Cyber Security and Resilience Bill.

Any failure to adequately protect YWS's information and operational technology systems or any failure of YWS's systems in respect of the security, governance and control of internal and customer information may lead to increased costs of operation, reputational damage, fines, criminal fees and civil damages (including as a result of losses of sensitive information or breaches of legislation,

including but not limited to the Data Protection Act 2018, the UK General Data Protection Regulation or Environmental Information Regulations). In view of the above, there is a risk that YWS's security measures will not be sufficient to prevent, respond to or recover from all possible breaches. A compromise of either information systems or physical infrastructure could cause serious disruption to YWS's business, and, consequently, affect its (and the Issuer's) ability to meet its obligations under the Bonds.

Delivery of required strategic change

YWS manages a range of large-scale strategic change programmes aligned to the Group's strategic pillars. These programmes are centrally governed, to enhance asset performance, customer and colleague service, and minimise environmental impact.

There is a risk that failure to effectively deliver required strategic change - especially for AMP8 - could prevent YWS from realising its financial and strategic objectives, with potential adverse impacts on colleagues, customers, and the environment. Poor management of such change could significantly disrupt day-to-day operations and hinder the fulfilment of regulatory obligations. In the event that large-scale change is not managed effectively, staff readiness for change may be compromised, leading to a failure of transformation initiatives, unachieved objectives, increased operating costs, overwhelming colleagues, and an escalation in incidents and organisational failures. Such outcomes could materially and adversely affect YWS's business, operational performance, and financial condition, and consequently, the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Responsible land and property management

YWS faces risks associated with the complexity and extent of its land and property estate. YWS manages a diverse portfolio, including a substantial woodland estate and assets spanning operational, agricultural, residential, recreational, and corporate properties, with tenancies across both company-owned and leased land. Many areas of YWS's estate are subject to stringent regulatory and environmental designations, including approximately 11,000 hectares of upland Sites of Special Scientific Interest, National Parks, Protected Landscapes, Listed Buildings, Ancient Monuments, and Conservation Areas, as well as numerous planning restrictions.

The obligation to facilitate and enhance recreation on Group land, alongside the responsibility to ensure visitor and staff safety, may expose YWS to increased operational, legal, and reputational risks. All operational assets - comprising over 700 clean or waste treatment sites, hundreds of pumping stations, and more than 80,000 km of pipes (with around 65 per cent. laid in street and 34 per cent. across private land) - are dependent on secure land rights. Where YWS does not hold title, reliance on leases or other legal rights introduces further risk of disruption or additional cost.

Any failure to effectively manage these complex land and property obligations could result in operational interruptions, increased compliance costs, or legal liabilities. Such events may have a material adverse effect on YWS's business, financial condition, and operational performance, and consequently impact the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Asset health

Operational or critical asset failures, caused by both internal and external factors, can result in performance issues leading adverse effects on the environment, risk to the security of the water supply, detrimental impact on water quality or flooding, and even result in a consequential impact on other infrastructure and utility providers, any of which may require an urgent deployment of resources to recover the situation; the costs of which are likely to be high.

In addition, where asset health deteriorates, for example below the required regulatory performance level or results in outage or other impacts on customers, this could lead to a penalty on YWS through financial Outcome Delivery Incentives ("**ODIs**") and price control deliverables ("**PCDs**"), increased regulatory and political scrutiny, legal action from the EA (or other regulators, statutory bodies or other litigants), reputational harm or other negative consequences which could have an adverse effect on YWS's business, reputation, operational performance, profitability or financial condition and consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Sewer flooding

YWS's combined sewerage systems (as described more fully in Chapter 5 "*Description of the YW Financing Group*") can, during prolonged heavy rainfall, reach their hydraulic capacity resulting in flooding. As it is not possible to forecast accurately the occurrence and effects of sewer flooding, forward planning and the making of full and reliable provision for the effects, or the alleviation of the risk, of sewer flooding is difficult. The financial costs of measures required to deal with both internal and external sewer flooding (including any compensation payments to its affected customers), or measures designed to alleviate the risk of sewer flooding to properties which become at risk, may therefore not be taken into account fully in a Periodic Review, which could have a material adverse impact on the business, financial condition or operational performance of YWS. In addition, underperformance against YWS's sewer flooding commitment may lead to financial penalties for YWS under the ODIs and consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Water resource shortages

In the event of water resource shortages, such as those experienced during 2022, additional costs may be incurred by YWS in order to provide longer term or emergency reinforcement to supplies in areas of shortage which may adversely affect its business, results of operations, profitability or financial condition. In addition, restrictions on the use or supply of water (including temporary use bans and drought orders or drought permits) may adversely affect YWS's turnover (see the Risk Factor entitled "*Increased operating expenditure and impact on financial ratios*") and may, in very extreme circumstances require an emergency drought order (which has never been experienced by YWS). This could lead to significant compensation due to customers because of interruptions to supply, both of which could have a material adverse impact on the business, financial condition or operational performance of YWS and consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Potential water resource shortages may be exacerbated by reductions imposed by the EA in the volume of water licensed to be abstracted, to mitigate environmental damage or achieve sustainable levels of abstraction. In such situations, YWS may incur additional costs in implementing replacement sources and paying increased abstraction changes to cover compensation payments to other abstractors whose licences are revoked or varied to alleviate environmental impact. For more information please see Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Water Shortages*".

Service interruptions due to key site or installation disruption

Unexpected failure or disruption (including the possibility of power outages raised by the current energy crisis, data outages, process safety failure, criminal acts or major health and safety incident) at a key site or installation (including a reservoir or treatment works), due to single supply water systems or for any other reason, could cause a significant interruption to the supply of services (in terms of duration or number of customers affected), materially affecting the way that YWS operates, prejudicing its reputation and resulting in additional costs including liability to customers or loss of

revenue, each of which could have a material adverse impact on the business, financial condition or operational performance of YWS. Please see Chapter 5 "*Description of the YW Financing Group – The Business – Insurance and Risk Management*").

Underperformance against the performance commitment for supply interruptions may lead to financial penalties under the ODIs. Such financial penalties could result in YWS and/or the Issuer being unable to comply with its obligations under the Bonds.

Contamination of water supplies

Water supplies may be subject to contamination, including contamination from the presence of naturally occurring compounds and pollution from man-made substances, criminal acts and failures of third parties. In the event that YWS's water supply is contaminated and YWS is not aware of the contamination, if the analysis of the contamination takes several days to complete or YWS is unable to substitute water supply from an uncontaminated water source, or to treat adequately the contaminated water source in a cost-effective manner, there may be an adverse effect on its business, financial condition or operational performance because of the resulting prejudice to reputation and required capital and operational expenditures. In the Environmental Performance Assessment (the "**EPA**") conducted annually by the EA, YWS's rating fell from three stars in 2022 to two stars in 2023. While subject to confirmation by the EA, based on performance in the 2024 calendar year, YWS expects its EPA rating to remain at two stars. YWS also reported an increase in "serious pollution incidents", with 13 reported in the 2024 calendar year compared to 5 in 2023.

YWS seeks to understand, and where possible limit, the potential impact of contamination through adopting the internationally recognised Water Safety Planning approach, which approach is promoted by the World Health Organisation and which is closely regulated by the DWI. The adoption of such approach allows YWS to take a source to tap view of risk, seeking to implement control measures at the most appropriate point in the water supply chain.

There is a risk that YWS could, in the future, incur fines for breaches of statutory requirements or regulations, or held liable for human exposure to hazardous substances in its water supplies or other environmental damage. Any such future fine could have a material adverse impact on the business, financial condition or operational performance of YWS and consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Catastrophe Risk

Catastrophic events such as dam bursts, fires, earthquakes, floods, droughts, terrorist attacks, diseases and global pandemics, plant failure or other similar events could result in personal injury, loss of life, pollution or environmental damage, reputational harm or severe damage to or destruction of YWS's operational assets.

Subject to a possible interim determination of a price limit under the Substantial Effects Clause, any costs resulting from suspension of operations of YWS could have a material adverse effect on the ability of YWS to meet its financing obligations. Although the Common Terms Agreement requires YWS to maintain insurance (including business interruption insurance) to protect against certain of these risks, the proceeds from such insurance may not be adequate to cover reduced revenues, increased expenses or other losses or liabilities arising from the occurrence of any of the events described above.

Moreover, there can be no assurance that such insurance coverage will be available for some or all of these risks in the future at commercially reasonable rates or at all and consequently, there is a risk that such risks could negatively affect the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds. (See Chapter 5 "*Description of the YW Financing Group*" under "*Insurance and Risk Management*").

Staff Retention

YWS sometimes faces difficulty in its ability to attract and retain staff with the necessary skills. Such difficulty stems from the impact of the pandemic, the inflationary environment, industrial unrest and current market uncertainty, and as a result fewer people are relocating geographically, which has resulted in a smaller prospective employee pool with the necessary skill set. Challenges from external competition (as employees who are based in Yorkshire move to larger companies with national or international footprints), together with YWS's financial constraints may also have a negative effect on the ability of YWS to attract and/or retain staff.

The inability to retain or employ staff with the necessary skills could result in short- or long-term operational pressures affecting YWS's business, results of operations and overall financial condition, YWS's ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance and comply with the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Legal Risks

Litigation

YWS and five other water and sewerage companies in England and Wales are facing a class action in respect of an alleged breach of the Competition Act (as described in Chapter 5 "*Description of the YW Financing Group*").

Furthermore, YWS may in the future face legal proceedings or litigation under existing legislation relating to its current business operations which as at the date of this Prospectus are not known. If any claim materialises from the collective action which is ultimately successful or if any future claim arises and is successful, they may have an adverse impact on the financial condition of YWS and consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Political intervention in the water sector

YWS and the UK water industry generally continue to see a high level of scrutiny by regulators and key stakeholders, including the UK Government, parliamentarians and local politicians.

There remains a significant amount of negative public, media and political scrutiny of the UK water industry, in particular in relation to environmental performance, executive pay, the financial resilience of water and sewerage undertakers and dividends paid to equity investors in the sector. Consequently, there are increased public demands on regulators and the Government to take action and/or reform the regulatory regime that applies to the UK water sector, including that which applies to YWS. The water sector in England and Wales is subject to economic regulation by a regulator, the Water Services Regulation Authority (Ofwat), which was established to be independent of the Government. The economic regulator's duties and powers are set out in primary legislation (the WIA). As with other economic regulators, the Government may set out its strategic priorities for the sector in a "Statement of Strategic Priorities" ("**SPS**"), and the economic regulator must act in accordance with this statement. This customarily happens once in each parliament. The Government issued its most recent SPS for the sector in February 2022. It was clear in this document that its priorities are to:

- protect and enhance the environment;
- deliver a resilient water sector;

- serve and protect customers; and
- use markets to deliver for customers.

In March 2023, the House of Lords Industry and Regulators Committee published its report following its inquiry into the work of Ofwat which, amongst other things, looked at Ofwat's performance in relation to its statutory duties, the investment and approach needed to prevent storm overflow overuse, and steps that must be taken to secure future water supply. Following responses by the Government and Ofwat in June 2023, the Industry and Regulators Committee launched a further follow-up inquiry on Ofwat, the water industry and the role of Government. The committee's follow-up inquiry concluded in September 2023. The committee concluded that the previous UK Government should provide stronger policy direction to Ofwat, including on the trade-off between investment and bills, and argued that "continued under-investment" will have serious long-term consequences. In December 2023, the previous UK Government responded to this recommendation stating that it "has given clear guidance through legislation and policy papers like the Plan for Water on what the priorities for the water sector should be" and "It is now up to Ofwat as the independent regulator to scrutinise proposed company plans to ensure they meet the government's requirements."

Following the election of a new Labour Government in the UK General Election in July 2024, the Government announced a planned Water (Special Measures) Bill in the King's Speech on 17 July 2024 to strengthen the power of water industry regulators, which received Royal Assent on 24 February 2025 as the Water (Special Measures) Act 2025.

The Water (Special Measures) Act 2025 gives Ofwat new powers to block the payment of bonuses if one of the standards are breached. Final rules in this regard have recently been published. In addition, whilst guidance or secondary legislation to provide clarity is awaited, the Water (Special Measures) Act allows for the EA to bring "automatic and severe fines", require water companies to install real-time monitors at every emergency overflow with data being independently scrutinised by the water regulators and increased accountability for water executives and management by introducing personal criminal liability for an offence of obstruction of an investigation and providing for a new code of conduct for water companies to allow "customers to summon board members and hold executives to account".

In October 2024 the UK and Welsh Governments established the Independent Water Commission, led by Sir Jon Cunliffe, to provide recommendations for a fundamental 'reset' of the water sector – to restore public confidence in the sector and its regulation, to ensure action to attract the investment needed to clean up the waterways of England and Wales, and to establish a framework that will meet the water demands of the future (see "*Regulatory Developments – Cunliffe Review*").

There can be no certainty as to what changes will be made to the regulatory regime to which YWS is subject. Future intervention by the UK Government in the water markets, or changes in governmental policy, may affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default), raise finance, comply with its obligations under the licence and legislation and ultimately affect the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants – Trigger Events – Events of Default*".

Security over assets

A Regulated Company's ability to grant security over its assets and the enforcement of such security are restricted by the provisions of the WIA and its licence. For example, both the WIA and the Instrument of Appointment restrict a Regulated Company's ability to dispose of interests in (or create

a charge or mortgage over) Protected Land (as explained in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Protected Land*", below). The vast majority of YWS's assets by value are tangible property which is Protected Land and cannot therefore be effectively secured without the prior consent of Ofwat. This necessarily affects the ability of YWS to create a floating charge over the whole or substantially the whole of its business. Furthermore, in any event, there is no right of a floating charge holder under the WIA to block the appointment of a Special Administrator.

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

There are also certain legal restrictions which arise under the WIA and YWS's Instrument of Appointment affecting the enforcement of the security created under the Security Agreement. For example, such enforcement is prohibited unless the person enforcing the security has first given 14 days' notice to Ofwat or the Secretary of State, giving them time to petition for the appointment of a Special Administrator (see Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Security*").

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

The considerations described above do not apply to the fixed and floating charges created under the Security Agreement by YWH, YWSF and the Issuer because they are not Regulated Companies. The enforcement of the security granted under the Security Agreement over the shares in any company in the YW Financing Group (other than the Issuer and YWSF), including any Holding Company of YWS, would not be subject to the moratorium on the enforcement of security rights set out in the WIA if a Special Administrator is appointed, nor would it be an event which would itself result in the making of the Special Administration Order. Notwithstanding this, given Ofwat's general duties under the WIA to exercise its powers to ensure that the functions of a Regulated Company are properly carried out, the Issuer anticipates that any intended enforcement of the Security granted by YWH over, and subsequently any planned disposal to a third party purchaser of, the shares in YWS would involve consultation with Ofwat. In addition, it is anticipated that any intended enforcement of the security created by YWH under the Security Agreement, to the extent that such enforcement would amount to a relevant merger situation for the purposes of the Enterprise Act or a concentration with a European Community dimension for the purposes of the European Merger Regulation, would require consultation with Ofwat and would be reviewable by the CMA or the European Commission.

Notice of the creation of the security by YWS will not be given initially to YWS's customers or to YWS's contractual counterparties in respect of its contracts (other than certain material contracts). Also, any security over any amounts due from customers that constitute statutory receivables may be limited by law. In addition, if YWS were to acquire any land that was not Protected Land, the charge over that land granted by the Security Agreement would take effect in equity only. Accordingly, until any such assignment is perfected, registration effected with His Majesty's Land Registry in respect of registered land or certain other action is taken in respect of unregistered land, any such assignment or charge may be or become subject to prior equities arising (such as rights of set-off).

Special Administration

As set out in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Special Administration Orders*", the WIA contains provisions enabling the Secretary of State

or Ofwat (with the permission of the Secretary of State) to secure the general continuity of water supply and, where applicable, sewerage services by petitioning the High Court for the appointment of a Special Administrator, in some circumstances (for example, where YWS is in breach of its principal duties under its Instrument of Appointment or of the provisions of a final or confirmed provisional enforcement order (and in either case the breach is serious enough to make it inappropriate for YWS to continue to hold its Instrument of Appointment) or is unable, or is unlikely to be able, to pay its debts). In addition, a creditor may petition the High Court for the winding-up of YWS, which could lead to the appointment of a Special Administrator where the Court is satisfied that it would be appropriate to make such a winding-up order if the company were not a company holding an appointment under the WIA.

On 22 March 2023, the House of Lords Industry and Regulators Committee published a report on its inquiry into the work of Ofwat. The Committee recommended that Ofwat be more proactive in using its special administration powers to change the management of continued poor performers in the sector. Ofwat and the Government responded to this report in May and June 2023 respectively. On the Committee's recommendation that Ofwat should consider being more proactive in the use of its special administration powers, Ofwat acknowledged that where appropriate it would do so, in particular where this would best enable it to fulfil its various duties. Ofwat also acknowledged that it has a role in working with companies to support them in pursuing alternatives to special administration where this is in the long-term interests of customers. This does not, however, mean maintaining an inefficient company that would otherwise fail. Meanwhile, the Government reiterated that special administration is the ultimate enforcement tool and (i) is only available where the statutory insolvency grounds or enforcement grounds are made out and where other means are inadequate, (ii) should only be utilised where appropriate. The Government also acknowledged that Ofwat is expected to allow funding for water companies to fulfil their statutory duties. Following the responses by the Government and Ofwat, a short, follow-up inquiry was conducted and the Committee took further evidence from Ofwat on 4 July 2023. Regarding whether it would be more proactive in the use of its special administration powers, Ofwat stressed that whilst special administration was a potential remedy, the barriers to its use were rightly high. On 18 September 2023, the Committee's chair, Lord Hollick, wrote to Thérèse Coffey MP, then Secretary of State for Environment, Food and Rural Affairs, with the Committee's findings.

The duties and functions of a Special Administrator differ in certain important respects to those of an administrator of a company which is not a Regulated Company under English insolvency legislation.

During the period of the Special Administration Order, YWS would have to be managed by the Special Administrator for the purposes of the order and in a manner, which protects the interests of shareholders and creditors. As noted above, while the order is in force, no steps may be taken to enforce any security over the property of YWS except with the consent of the Special Administrator or the leave of the Court. A Special Administrator would be able to dispose of assets free of any floating charge existing in relation to them. On such a disposal, however, the proceeds would be treated as if subject to a floating change which has the same priority as that afforded to the original security. A Special Administrator may not dispose of property which is the subject of a fixed charge without the agreement of the relevant creditor except under an order of the Court. On such a disposal, the disposal proceeds to which the chargee is entitled are determined by reference to "the best price which is reasonably available on a sale which is consistent with the purposes of the Special Administration Order" as opposed to an amount not less than "open market value", which would apply in a conventional administration for a company which is not a Regulated Company under English insolvency legislation.

Where the grounds for a Special Administration Order are that a company is or is likely to be unable to pay its debts, the purpose of the order is to rescue the company as a going concern. To achieve this

purpose, the special administrator may propose: (a) a company voluntary arrangement under Part 1 of the Insolvency Act, or (b) a compromise or arrangement in accordance with Part 26 or Part 26A of the Companies Act.

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

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

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

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

The Flood and Water Management Act 2010 (the "**FWM Act**") amends the special administration regime in the WIA to bring it in line with modern insolvency practice in unregulated industries. The FWM Act also streamlines the procedures for transferring a failing company to new owners. The previous regime only enabled the Special Administrator to transfer the appointment and assets of a failing water company onto one or more new owners. The changes enable the Special Administrator to pursue the goal of rescuing the Regulated Company as a going concern if this is reasonably practicable. Some of these provisions are in force as of 12 January 2024 and 15 March 2024 by virtue of the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 (see "*Updates to the Special Administration Regime*" under "*Termination of an Instrument of Appointment*" in Chapter 6 "*Regulation of the Water and Wastewater Industry in England and Wales*") and the Flood and Water Management Act 2010 (Commencement No. 11) Order 2024. There can be no assurance that any transfer scheme in the context of a Special Administration regime could be achieved on terms that would enable creditors (including the Bondholders) to recover amounts due to them in full.

In addition to changes to the purpose of a special administration, provisions made pursuant to the Flood and Water Management Act 2010 made changes to the tools available to the special administrator. These changes include:

- allowing the use of transfer schemes to achieve a hive-down (i.e. a transfer of YWS's business as a going concern to a subsidiary, for the purpose of transferring the ownership of the subsidiary to a new owner); and

- allowing the special administrator to make use of a company voluntary arrangement, scheme of arrangement or restructuring plan to implement a restructuring in order to rescue Thames Water as a going concern.

Impact of Ofwat adopting tighter regulatory measures to achieve financial resilience

In March 2023, Ofwat decided to modify the ring-fencing licence conditions of the largest undertakers in order to strengthen its financial resilience. These modifications included:

- modifying the cash lock-up "licence condition" to raise the cash lock-up trigger (a condition of YWS's licence which restricts dividend payments in certain scenarios) to apply where any of YWS or the Issuer's monitored ratings for Ofwat's purposes are at or below BBB/Baa2 with "Credit Watch" or "Rating Watch" with a negative designation, effective from 1 April 2025. The modification includes a 3-month grace period between the point that a rating falls to the new trigger level of BBB/Baa2 with negative outlook and the cash lock-up being applied. During this period, companies can submit a request to Ofwat to determine (or Ofwat may determine on its own initiative) that the cash lock-up should not apply on the basis that the company's financial resilience is not at risk. If a relevant credit rating were to be BBB-/Baa3 or lower, then the cash lock-up would automatically apply. The cash lock up mechanism would, if triggered, stop most payments being made by YWS to other group companies, including any dividend payments. This will not prevent payments by YWS of interest, principal and fees on intercompany loans made to YWS by the Issuer, provided that the Issuer remains in the Group;

- modifying the dividend policy licence condition to require that dividend policies and dividends declared or paid should take account of (i) service delivery for customers and the environment over time, (ii) current and future investment needs and financial resilience over the long term and (iii) rewarding efficiency and the management of economic risks. These modifications took effect on 17 May 2023. YWS believes that the existing dividend policy and its application meet these key requirements; and

- requiring large, regulated water companies to maintain investment grade issuer credit ratings with at least two credit rating agencies (rather than one as was previously the case), other than where Ofwat provides its written consent for YWS to maintain only one and to notify Ofwat as soon as reasonably practicable of changes to credit ratings, including reasons for the change. Such notification must be provided within a maximum of five working days of: (i) a change in credit rating grade or outlook; (ii) a new issuer credit rating being obtained; or (iii) the withdrawal of an issuer credit rating. These modifications took effect from 17 May 2023.

These modifications to the ring-fencing licence conditions could increase the likelihood of YWS not being able to pay a dividend, affecting the equity proposition that YWS presents. These factors could potentially give rise to increases in associated funding costs, affect YWS's business, results of operations and overall financial condition, and its ability to raise finance, comply with its obligations under the licence and legislation and ultimately affect the Issuer's ability to meet its obligations under the Bonds issued under the Programme.

Environmental Risks

Water Industry National Environment Programme

YWS's current asset management period ("**AMP8**") Water Industry National Environment Programme ("**WINEP**") is YWS's most extensive in terms of its scope and scale of ambition. The range of solutions vary from conventional engineering approaches, to YWS's largest ever programme of catchment interventions. The programme has been developed with the UK regulators, the EA and Natural England to meet the environmental, resilience and flood risk obligations and expectations of the Government for YWS's PR24 business plan.

WINEP is a major element of YWS's business plan and relevant aspects were also integrated within YWS's drinking water quality submissions to DWI and its Water Resources Management Plan submitted to DEFRA. There is a focus on the removal of phosphorus from river water. YWS will need to satisfy its obligations under WINEP by 2030.

YWS is incurring and will continue to incur significant costs in relation to the programme. During the 2024/2025 financial year, YWS delivered £266 million of investment against this programme (at 2024/25 prices). Significant expenditure is expected in future years due to the expanding scale of the WINEP during AMP8. See also "*Failure by YWS to deliver its capital investment programme*" under "*Financing Risks*".

In 2020, DEFRA, the EA and Ofwat led a review of the WINEP ahead of PR24 to ensure the next round of WINEP actions achieves greater environmental benefits for every pound invested by water companies by using a more outcomes-based approach. In 2022, the EA also developed and published a WINEP methodology process document which is intended to help water companies to plan, execute and report on the environmental improvement measures they are required to undertake. This EA publication along with a number of other related publications together also aim to help water companies to plan for the next phase of the WINEP cycle (PR24). As part of the business plan submitted to Ofwat on 2 October 2023, YWS published its WINEP Enhancement Case. To maximise the wider environmental outcomes of YWS investment proposals, nature-based solutions were considered for all solutions, throughout the optioneering process. This builds on knowledge gained during AMP7 from investments at Clifton wastewater treatment works and Holly Myres Lane wastewater treatment works.

The significant cost and scale of the environmental projects required by AMP8 WINEP programme and future WINEP programmes could have the potential to have a material adverse impact on the business, financial condition or operational performance of YWS, and consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Extreme Weather

There is a risk that extreme weather conditions could have a significant impact on YWS and its operations. For example, freeze-thaw events (such as those experienced in Winter 2017/2018 and in December 2022) and/or concentrated rainfall (particularly after long periods of dry weather) would likely cause flooding (including widespread flood inundation of above ground assets). Similarly, prolonged periods of drought or heat would likely result in operational difficulties which could cause damage to service infrastructure assets (which may in turn result in pipe bursts and flooding). Also, more frequent and / or severe storm events and coastal storm surge events could cause damage to physical infrastructure and inundation of coastal assets, resulting in service disruption and pressure on emergency response. See also "*Climate Change*" under "*Strategic Risks*".

The summer of 2022 was exceptionally dry, with parts of the Yorkshire region seeing their lowest levels of rainfall since records began 130 years ago and, in August 2022, the highest temperatures ever recorded in the region. June 2023 was also exceptionally warm in the Yorkshire region, and in 2025, the region experienced its driest spring period in Yorkshire for 132 years. To help to ensure resilient supplies for customers, YWS seeks to maximise river and groundwater abstractions during dry periods to protect reservoir stocks. In addition, leakage increases during significant periods of dry weather as the moisture in the soil decreases, increasing soil movement and making pipes more susceptible to bursts. YWS has redoubled efforts to reduce leakage from the network and achieved a 15.1 per cent. reduction in leakage from 2020 to 2025 in line with its regulatory performance commitment target. YWS is planning to roll out 1.3 million smart meters to customers by 2030 to help manage demand and find and fix leaks with more accuracy. YWS has also installed over 1,000 smart pressure valves to main pressure in the network, reducing the rate of bursts and leaks. In 2024 YWS published its latest water resources management plan (the "**Water Resources Management Plan**"), which outlines how YWS will continue to deliver safe, clean drinking water to 2050 and beyond, even in the most severe droughts. The WRMP considers future water supply availability and demand. It then sets out the actions required to address the risk of a supply-demand deficit in the future. These actions include sourcing new water supplies, increasing storage and treatment capacity, and demand reduction

measures such as reducing leakage, and encouraging reductions in business and household consumption. However, there is no guarantee that these actions will be effective.

Extreme weather could adversely affect YWS's service performance giving rise to increased operational costs and capital expenditure requirements, regulatory penalties, the need to pay compensation to customers or other government, political or regulatory action. In this regard, YWS maintains insurance cover consistent with the generally accepted practices of prudent water and sewage companies and this includes business interruption insurance, but there is no guarantee that such insurance is sufficient to cover to risks highlighted. This in turn could affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance, comply with its obligations under the licence and legislation, and ultimately affect the payment of principal and interest under the Issuer/YWS Loan Agreement and consequently the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants - Trigger Events – Events of Default*".

Priority Substances Directive

YWS is subject to the Environmental Quality Standards (2008/105/EC, usually referred to as the "**Priority Substances Directive**"), which was amended by 2013/39/EU. To ensure compliance, there is a risk that YWS may be required to install the equivalent of drinking water treatment at the sewage treatment works. This would represent a very significant investment for YWS if it is required to take such action.

Notably, YWS, with other UK water and sewerage companies through Water UK, is steering the Chemicals Investigation Programme along with DEFRA and the EA to deliver efficient treatment of the 45 priority substances, which YWS believes could, along with the EA's cost benefit analysis process, lessen the risk of a step change in investment needs. This work will continue for the duration of AMP8, until March 2030. In any case, there is still a risk that YWS may be required to make investments to comply with the Priority Substances Directive and this could have a negative impact on the financial condition of YWS and consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Urban Wastewater Treatment Directive

YWS is not currently subject to the Proposal for a directive of the European Parliament and of the Council concerning urban wastewater treatment (recast) (2022/0345) (the "**Revised UWWTD**"). The Revised UWWTD identifies twelve hazardous substances, at least six of which must be removed by 80 per cent. between influent and final effluent by quaternary treatment at every wastewater treatment works with a population equivalent of 10,000 and above by 31 December 2045. There is no certainty as to whether the Revised UWWTD will be transposed into the UK. However, if YWS was subject to Revised UWWTD, it would significantly increase its wastewater treatment costs.

Financing Risks

Interest Cover Ratio and Leverage

At the date of this Prospectus, the YW Financing Group has substantial indebtedness in relation to its shareholders' equity. As at 31 March 2025, the YW Financing Group was leveraged, after taking into account of cash reserves, at 68.9 per cent. as a percentage of Class A Net Indebtedness to RCV (being the Class A RAR) and at 72.5 per cent. as a percentage of Senior Net Indebtedness to RCV (being the Senior RAR) with RCV being £9,475.5 million. The corresponding numbers as at 31 March 2024 were 67.1 per cent. and 70.8 per cent. respectively with RCV being £9,132.2 million. Class A RAR

and Senior RAR are alternative performance measures. Class A RAR has been calculated by looking at Class A Net Indebtedness to RCV and Senior RAR has been calculated by looking at Senior Net Indebtedness to RCV. As shown in the investors' report of the YW Financing Group, for the period ended 31 March 2025, Class A Net Indebtedness was £6,524.9 million and Senior Net Indebtedness was £6,873.9 million. During the year to 31 March 2026 these ratios are forecast to rise to 70.8 per cent. and 74.2 per cent. respectively. Please see further details in the Compliance Certificates available at https://www.keldagroup.com/investors/document-library/yorkshire-water-investor-report-and-compliance-certificates/. The information on this website does not form part of this Prospectus.

Class A RAR and Senior RAR (which take into account retained cash reserves) may increase up to 75 per cent. and 90 per cent. respectively before a Trigger Event will occur. The Finance Documents then provide for indirect restrictions on leverage through dividend blocks, trigger events and restrictions on the ability to incur further Financial Indebtedness (see Chapter 7 "*Overview of the Financing Agreements - Common Terms Agreement*").

The Finance Documents also require YWS to maintain a minimum level of interest cover which is measured as the Re-profiled Class A Adjusted ICR, the Re-profiled Senior Adjusted ICR, the Re-profiled Class A Average Adjusted ICR and the Re-profiled Senior Average Adjusted ICR. At the date of this Prospectus the most recent forecasts of these ratios, and the respective Trigger levels, are as below (as taken from the compliance certificate dated 11 July 2025 in respect of the calculation date of 31 March 2025)):

	31 March 2025	**31 March 2026**	**Trigger (min)**
Re-profiled Class A Adjusted ICR	1.45x	1.50x	1.3x
Re-profiled Senior Adjusted ICR	1.31x	1.40x	1.1x
Re-profiled Class A Average Adjusted ICR	1.56x	1.80x	1.4x
Re-profiled Senior Average Adjusted ICR	1.45x	1.70x	1.2x

If the Re-profiled Class A Adjusted ICR falls below 1.1x or the Senior RAR rises above 95 per cent. an Event of Default would occur.

The ability of YWS to improve its operating performance and financial results will depend upon specific factors such as current and projected working capital as well as economic, financial, competitive, regulatory and other factors beyond its control, including fluctuations in interest rates and general economic conditions in the UK (including for example potential changes in customer behaviours and/or their ability to pay their bills) due to the cost of living crisis (as to which see "*Non-recovery of customer debt*").

Accordingly, there can be no assurance of YW Financing Group's ability to meet its financing requirements and no assurance that YW Financing Group's high degree of leverage will not have a material adverse impact on its ability to pay amounts under the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements or the YWSF/YWS Loan Agreements, which would enable the Issuer to pay amounts due and owing in respect of the Bonds. Incurrence of additional indebtedness by YWS or the Issuer, which is permitted under the Finance Documents, may materially affect the ability of YWS, the Issuer or the other Obligors to pay amounts due and owing in respect of the Bonds.

Price controls

The main instrument of economic regulation in the water sector in England is the price control mechanism determined by Ofwat in accordance with the conditions of the licences. This controls the

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

Price control periods have to date been periods of five years, normally beginning on 1 April in years ending in 0 or 5 and end on 31 March 5 years later. The price controls for the current period (2025 to 2030, referred to as AMP8) were set at the end of 2024 to take effect on 1 April 2025, commonly referred to as Price Review 24 or PR24. The next set of price controls will be for the period starting in 2030 ("**PR29**").

Changes in the price control methodology for future price control periods may translate into tighter controls on the total revenue that YWS can recover from customers, consequently leading to lower revenues for YWS. This may adversely affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default) and to raise finance, comply with its obligations under the licence and legislation and ultimately affect the payment of principal and interest under the Issuer/YWS Loan Agreements, and consequently the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants - Trigger Events – Events of Default*".

Pension Risk

On an IFRS basis, the fair value of the scheme as at 31 March 2025 was a surplus of £98.6 million (2024: £86.0 million). The scheme was closed to future accrual on 31 March 2024 and no further employer contributions are expected. Deficit repair contributions ceased on 31 March 2022. The next actuarial valuation will be as at 31 March 2027. The latest formalised actuarial valuation of the KGPP was undertaken as at 31 March 2024 using assumptions that are consistent with the requirements of the statutory funding regime. This showed a surplus of £14 million. The market value of the assets used in the valuation was £1,039.0 million. While market conditions may result in the surplus turning to a deficit at any time, YWS is not presently expecting to make any future deficit repair contributions.

YWS is a contributing employer to the KGPP (a defined benefit pension scheme) (as described more fully in Chapter 5 "*Description of the YW Financing Group*"). In the event of other Kelda Group companies becoming unable to meet the liabilities for their employees within the KGPP, YWS may become responsible for some or all of those liabilities as well as the liabilities for its own employees, or on a "last man standing" basis.

Should such deficit repair contributions referred to above reoccur in the future, or should a scenario arise where YWS become responsible for some or all of the liabilities in relation to the KGPP (depending on other circumstances at the time) there could be a material adverse impact on YWS which could affect YWS's payment of principal and interest under the Issuer/YWS Loan Agreement and, consequently, on the Issuer's ability to meet its obligations (including in respect of financial ratios and the payment of principal and interest) under the Bonds.

Inflationary consequences

YWS's business is exposed to inflation indices in respect of revenues and costs. YWS's revenues are linked to inflation, however tariffs cannot be adjusted intra-year. During periods of significantly rising

inflation this can result in YWS suffering from notable revenue shortfalls intra-year until tariffs can be increased the following year.

Additionally, there can be no assurance that any such adjustment would reflect the true rate of inflation which YWS experiences for the goods and services it consumes in operating its business, including through the tariffs which YWS can periodically set for customers and exposure to index linked debt, swaps and other contracts and liabilities. Furthermore, in the context of the current cost of living crisis, YWS may come under political or regulatory pressure not to increase tariffs in line with inflation. These factors may result in revenue timing mismatches and/or permanent shortfalls for YWS.

Failure to adapt the cost base to rising inflation could result in re-prioritisation of investment and reduced service levels, impacting customer service and operational performance, which may consequently impact YWS's business, results of operations and overall financial condition. In certain circumstances when rates of inflation increase, this could affect YWS's business, results of operations and overall financial condition and its ability to meet financial ratio and covenant requirements under its financings and to raise finance. YWS's totex allowances and revenue for the AMP7 period onwards are both linked to CPIH (the consumer price index that includes owner occupied housing costs but not indirect taxes and as published by the Office for National Statistics) and RCV is fully linked to CPIH in AMP8. As set out above, there are potential timing mismatches as tariffs cannot be adjusted intra-year. High levels of inflation also increase the risk of under-performance in its Capex Contracts, as a result of increasing construction inflation (labour, plant, materials) and the affordability of the original cost-benchmark. This could have an adverse impact on YWS's financial position.

In addition, periods of rising inflation could also adversely impact the ability of YWS's customers to pay their bills as part of the cost of living crisis, resulting in increases to the non-recoverability of customer debts which could impact its financial condition (see risk factor "*Non-recovery of customer debt*").

These factors could affect YWS's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default). Such factors could also impair YWS's capacity to raise finance, comply with its obligations under the licence and legislation which could affect the payment of principal and interest under the Issuer/YWS Loan Agreement, and ultimately impair the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants - Trigger Events – Events of Default*".

Future Financing

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

(i) finance future capital enhancements to YWS's asset base;

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

(iii) paydown accretion by indexation to the notional amounts under RPI Linked Hedging Agreements; and

(iv) refinance the YWSF Bonds and any other debt (including any RPI payments under an RPI Linked Hedging Agreement and for liquidity or working capital purposes) the terms of which have become inefficient or which have a scheduled partial or final maturity prior to the final maturity of the Bonds.

While the Common Terms Agreement and the STID contemplate the terms and conditions on, and circumstances under, which such additional indebtedness can be raised, there can be no assurance that the YW Financing Group will be able to raise sufficient funds, or funds at a suitable interest rate, or on suitable terms, at the requisite time such that the purposes for which such financing is being raised are fulfilled, and in particular such that all amounts then due and payable on the Bonds or any other maturing indebtedness will be capable of being so paid when due. For more information please see, Chapter 7 "*Overview of the Financing Agreements - Common Terms Agreement*".

Non-recovery of customer debt

Non-recovery of customer debt is a risk to YWS and may cause YWS's profitability to suffer. This risk is exacerbated by the current cost of living crisis and by high energy costs which are likely to disproportionally affect customers with lower incomes. The inability to recover customer debts accurately and in a timely fashion could result in a shortfall in recognised income which could have a consequential impact on YWS's financial performance and cash flow, and consequently on its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default). There may also be an increased level of bad debt, resulting in increased operating costs (increased bad debt provisioning costs and increased collection activity). Non-recovery of customer bills above the allowance made by Ofwat is a risk to YWS and would cause its profitability to suffer. The WIA prohibits the disconnection of a water supply for domestic use in any premises as a result of customer non-payment and the limiting of a supply with the intention of enforcing payment for domestic use in any premises; although allowance is made by Ofwat in the price limits at each Periodic Review for a proportion of debt deemed to be irrecoverable. YWS may therefore suffer losses from its inability to recover its debts fully, which could have a material adverse impact on the business, financial condition or operational performance of YWS, which could in turn have an adverse impact on YWS's business, results of operations and overall financial condition, and consequently on its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default). The incurrence of such losses may also impair YWS's ability to raise finance, comply with its obligations under the licence and legislation and may ultimately have an adverse impact on the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants - Trigger Events – Events of Default*".

Failure by YWS to deliver or finance its capital investment programme

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

If YWS is unable to deliver or finance its capital investment programme at expected expenditure levels, is unable to secure the expected level of efficiency savings on its capital investment programme, or the programme falls behind schedule or contains incorrect assumptions by YWS as to the capital investment required, YWS's ability to meet public, regulatory and political expectations, service standards, regulatory Performance Commitments and environmental performance standards could be adversely affected by such failure, which may result in penalties imposed by Ofwat or other sanctions (see "*Breach of Instrument of Appointment Conditions*" above) and the need for further increases in capital expenditure and operating expenditure by YWS. As well as contractual timeframes, Ofwat, EA or DWI may impose deadlines for completion of projects. While these deadlines can be extended with consent, failure to deliver any such projects within the set timeframe may result in regulatory enforcement action, reputational risk and financial penalties. YWS may

therefore suffer losses which could have a material adverse impact on YWS's business, results of operations and overall financial condition, and consequently on its ability to meet financial ratio and covenant requirements under the Common Terms Agreement (which may result in the occurrence of a Trigger Event or, ultimately, an Event of Default), its ability to raise finance, and comply with its obligations under the licence and legislation and ultimately have an adverse impact on the Issuer's ability to meet its obligations under the Bonds issued under the Programme. For more information on financial ratios and covenant requirements please see Chapter 7 "*Overview of the Financing Agreements – Common Terms Agreement – Covenants - Trigger Events – Events of Default*".

Financing Structure Risks

Special purpose vehicle Issuer

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

Therefore, the Issuer is subject to all the risks relating to revenues and expenses to which YWS is subject. Such risks could limit funds available to YWS to enable YWS to satisfy in full and on a timely basis its obligations under the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements, the YWSF/YWS Loan Agreements and its guarantee under the Security Agreement.

Source of payments to Bondholders

Although any Class A Wrapped Bonds and Class B Wrapped Bonds issued by the Issuer will have the benefit of the relevant Financial Guarantee, none of the Bonds of any Class will be obligations or responsibilities of, nor are they guaranteed by, any of the Other Parties (other than the Guarantors and, in the case of the Wrapped Bonds, the relevant Financial Guarantor). The guarantee by YWH may be of limited value because it does not own, nor will it own, any significant assets other than its direct shareholding in YWS. The guarantee by YWSF may be of limited value because it does not own, nor will it own, any significant assets and, furthermore, YWSF has Financial Indebtedness outstanding under the Participating YWSF Bonds (which constitutes Class A Debt of the YW Financing Group) and Non-Participating YWSF Bonds. The guarantee by the Issuer in respect of Bonds issued by the other Issuer may be of limited value because the Issuer does not own, nor will it own, any significant assets.

In addition, a Financial Guarantor will only guarantee to the holders of the Class A Wrapped Bonds and holders of the Class B Wrapped Bonds issued by the Issuer the payment of scheduled principal and interest; it will not guarantee FG Excepted Amounts.

DSR Liquidity Facilities

YWS has agreed to procure that on any Payment Date, the aggregate of: (i) all amounts available for drawing under the DSR Liquidity Facilities in respect of Class A Debt and Class B Debt; and (ii) all aggregate amounts standing to the credit of the Debt Service Reserve Accounts (including the value of Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Accounts) are at least equal to the Required Balance. Investors should note that in certain circumstances, the Required Balance will be zero. The Required Balance was zero as at the Closing

Date and may return to zero in the future. However, as at the date of this Prospectus, the Required Balance is greater than zero (see the definition of Required Balance in "*Glossary of Defined Terms*").

If the Required Balance is greater than zero, the DSR Liquidity Facilities and any amounts credited to the Debt Service Reserve Accounts are intended to cover certain shortfalls in the ability of YWS to service payments of: (a) scheduled interest or certain other payments in respect of Senior Debt (including payments due to be made by YWS under the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements and the YWSF/YWS Loan Agreements, to enable the Issuer or, as the case may be, YWSF to make interest payments due on the Bonds or, as the case may be, the Participating YWSF Bonds); or (b) certain other payments ranking in priority to or *pari passu* with the Bonds (excluding any principal repayments). However, on any such Interest Payment Date, there are no assurances that any such shortfalls will be met in whole or in part by amounts standing to the credit of the Debt Service Reserve Accounts or by the DSR Liquidity Facilities. For more information please see Chapter 7 "*Overview of the Financing Agreements - Common Terms Agreement*".

Risks relating to the Bonds

Subordination of the Class B Bonds issued by the Issuer

Payments under the Class A Wrapped Bonds and the Class A Unwrapped Bonds (each of whatever Sub-Class) issued by the Issuer rank in priority to payments of principal and interest due on all Sub-Classes of the Class B Bonds. The Class A Wrapped Bonds and the Class A Unwrapped Bonds (each of whatever Sub-Class) rank *pari passu*.

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

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

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

Insolvency proceedings and subordination provisions

Following a number of actions (one of which has been stayed) in the U.S., there is uncertainty as to the validity and/or enforceability in the U.S. of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor (so called "flip clauses"). Such provisions are similar in effect to certain of the terms which are included in Schedule 11 (*Cash Management*) to the Common Terms Agreement, in particular with respect to the subordination of payments to a hedge counterparty. In general, if a subordination provision included in the Finance Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales (where the U.K. Supreme Court has upheld the validity of a flip clause), and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Bondholders, the market value of the Bonds and/or the ability of an Issuer to satisfy its obligations under the Bonds.

Rights available to Bondholders

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

Intercreditor Rights of Bondholders

The Bonds are subject to the provisions of the STID. The STID contains provisions enabling the Security Trustee to implement various modifications, consents and waivers in relation to the Finance Documents and the Bonds, subject to Entrenched Rights and Reserved Matters. See Chapter 7 "*Overview of the Financing Agreements*" under "*Security Trust and Intercreditor Deed – Entrenched Rights and Reserved Matters*" below. The Security Trustee is authorised to act on the instructions of the Class A DIG or, following repayment of the Qualifying Class A Debt, the Class B DIG.

Prior to a Default Situation or in respect of a STID Matter the subject of a valid Emergency Instruction Notice (in each case, other than in respect of Entrenched Rights and Reserved Matters), each Unwrapped Bondholder and, if an FG Event of Default has occurred and is continuing in relation to a Financial Guarantor, the relevant Wrapped Bondholders will be entitled to vote in the Class A DIG or, as the case may be, the Class B DIG, on a pound-for-pound basis through the clearing systems

within a certain specified decision period (see Chapter 7 "*Summary of the Financing Agreements - Security Trust and Intercreditor Deed - Bondholder Voting*").

Prior to a Default Situation and other than in respect of Entrenched Rights or Reserved Matters of the Bondholders, the Bond Trustee (in its capacity as DIG Representative of the Wrapped Bondholders (following the occurrence of an FG Event of Default which is continuing in respect of the Financial Guarantor of the relevant Wrapped Bonds) and/or the Unwrapped Bondholders) will not be entitled to convene a meeting of Bondholders to seek directions in respect of any vote.

During a Default Situation the Bond Trustee shall be entitled to vote and will be entitled to convene a meeting of Bondholders to seek directions from the relevant Unwrapped Bondholders and, if an FG Event of Default has occurred and is continuing in relation to a Financial Guarantor, the relevant Wrapped Bondholders in respect of such vote (and Bondholders will no longer be able to vote directly through the clearing systems unless a proposer of a STID Matter elects to utilise the Emergency Instruction Procedure) (see Chapter 7 "*Overview of the Financing Agreements*" under "*Emergency Instruction Procedure*"). In respect of a vote relating to Entrenched Rights and Reserved Matters, the Bond Trustee will be entitled to convene a meeting of Bondholders to seek directions from the Bondholders of each affected Series of Bonds in respect of such vote (and Bondholders will not be entitled to vote directly through the clearing systems in respect of such matters).

Accordingly, in respect of modifications, waivers or consents in respect of provisions of the Finance Documents (other than those in respect of Basic Terms Modifications (as defined in Condition 15 "*Meetings of Bondholders, Modification, Waiver and Substitution*")), the votes of the Class A Bondholders or, following redemption in full of the Class A Bonds and repayment of all other Qualifying Class A Debt, the Class B Bondholders will be treated as a single class on a pound-for-pound basis with the other Secured Creditors in respect of Qualifying Debt. There is a risk that the votes of the Bondholders of the relevant Class may not constitute a majority in respect of modifications, waivers or consents. Such risk is increased due to the fact that prior to a Default Situation and in respect of a STID Matter the subject of a valid Emergency Instruction Notice (in each case, other than in respect of Entrenched Rights and Reserved Matters), only those votes of those Bondholders who participate in the vote within the specified decision period will be taken into account. Further, a vote in respect of the entire Outstanding Principal Amount of Class A Debt or, as the case may be, Class B Debt will be taken in respect of certain other Authorised Credit Facilities. It is possible that the interests of the Secured Creditors in respect of certain other Qualifying Debt will not be aligned with the interests of a Class or Sub-Class of Bondholders, and it is possible that, in relation to votes on certain matters, owing to the relative size of Senior Debt that is capable of being voted by Authorised Credit Providers other than the Bondholders, the Security Trustee is given an instruction that is not in the interests of the Bondholders.

Under the terms of the STID and the Common Terms Agreement, any further issues of debt securities by the Issuer must be made subject to the intercreditor arrangements contained in the Common Terms Agreement and the STID (to which the Bonds are also subject). No alteration of the rights of priority of the Class A Bondholders or, as the case may be, the Class B Bondholders may be made without the consent of the relevant Bondholders.

The Entrenched Rights and Reserved Matters may materially and adversely affect the exercise and proceeds of any enforcement of the Security. Subject to such Entrenched Rights and Reserved Matters and **provided that** the relevant Quorum Requirement has been met, the Majority Creditors may make a modification to, or grant any consent or waiver in respect of, the Finance Documents without the need to seek a confirmation from the Rating Agencies as to the then current ratings of the Bonds.

The consequences for YWS and the Issuer deriving from the occurrence of a Trigger Event and the restrictions on raising Financial Indebtedness in relation to financial covenants set in the Common

Terms Agreement are untested. Although designed to protect Bondholders, the enforcement of such consequences (which may in the case of Trigger Events be subject to Entrenched Rights) may of themselves affect YWS's business, results of operations and overall financial condition and its ability to meet financial ratio and covenant requirements under its financings to raise further finance, operate its business and deliver investment in capital expenditure.

Independent Enforcement Rights of Non-Participating Bondholders

Certain holders of YWSF Bonds did not accept the Exchange Offer and retained ownership of their YWSF Bonds following completion of the Exchange Offer, with such YWSF Bonds becoming Non-Participating YWSF Bonds for the purposes of this Prospectus and the Finance Documents. The Non-Participating YWSF Bonds contain certain independent rights which are not regulated pursuant to the STID. Such rights include: (a) the right to declare the Non-Participating YWSF Bonds due and payable at par if default is made in the payment of any principal or interest on such Non-Participating YWSF Bonds or failure to perform or observe any of the other obligations of YWSF or YWS, in each case, within the prescribed grace period; and (b) the right to put the Non-Participating YWSF Bonds to YWSF at par if YWS's Instrument of Appointment is terminated or any one of certain prescribed events occur which is material to the operation of YWS's business as a Regulated Company and such event causes a downgrade in the rating of the Non-Participating YWSF Bonds.

However, for so long as any Non-Participating YWSF Bonds remain outstanding, YWSF will be permitted pursuant to the terms of any DSR Liquidity Facility entered into by YWSF from time to time, to make a claim or drawing under such DSR Liquidity Facility (or from its Non-Participating YWSF Bond Reserve Account if the Non-Participating YWSF Bond Required Balance has been met in whole or in part through monies standing to the credit of its Non-Participating YWSF Bond Reserve Account) in order to meet any shortfall in scheduled payments of interest or principal due in respect of the Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds). As at the date of this Prospectus, the Non-Participating YWSF Bond Required Balance is met in whole through monies standing to the credit of the Non-Participating YWSF Bond Reserve Account.

However, if there is no DSR Liquidity Facility available for drawing or in relation to which a claim can be made or, as the case may be, no monies standing to the credit of YWSF's Non-Participating YWSF Bond Reserve Account and YWSF and/or YWS fail to pay an amount due under the Non-Participating YWSF Bonds or if any one of the other rights of the Non-Participating YWSF Bonds described above are triggered resulting in the Non-Participating YWSF Bondholders taking Independent Enforcement Action, this could lead to the occurrence of an Insolvency Event in relation to YWS and/or YWSF and may adversely affect YWS's ability to satisfy on a timely basis its obligations under the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements, the YWSF/YWS Loan Agreements and its guarantee under the Security Agreement and, ultimately, the Issuer's ability to make timely payment of interest and principal under the Bonds.

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

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

Rating of the Bonds

The ratings assigned by the Rating Agencies to the Wrapped Bonds are based solely on the ability of any Financial Guarantor to pay claims and reflect only the views of the Rating Agencies. The ratings assigned by the Rating Agencies to the Unwrapped Bonds reflect only the views of the Rating Agencies and in assigning the ratings the Rating Agencies take into consideration the credit quality of YWS and structural features and other aspects of the transaction.)

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

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

The FCA maintains on its website, www.fca.org.uk, a list of credit rating agencies registered in accordance with the UK CRA Regulation. This list is updated after the adoption by the FCA of any decisions to withdraw the registration of a credit rating agency under the UK CRA Regulation. However, such list is not conclusive evidence of the status of the relevant rating agency as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated list.

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

Withholding Tax under the Bonds

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

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

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

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

Likewise, in the event withholding taxes are imposed in respect of payments due under the Wrapped Bonds and the Relevant Financial Guarantor is called upon under its Financial Guarantee or Financial Guarantees to make payments in respect of such payments, such Financial Guarantor is not obliged to gross-up or otherwise compensate the holders of such Wrapped Bonds for the fact that such Wrapped Bondholders will receive, as a result of the imposition of any withholding taxes, cash amounts which are less than those which would otherwise have been the case. For a discussion of when any such UK withholding taxes may be imposed on payments by the Issuer, Guarantor or any Financial Guarantor, please see further Chapter 11 "*Tax Considerations*".

Change of Law

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

Changes in Financial Reporting Standards

Certain provisions of the Transaction Documents contain certain conditions and/or triggers which are based upon an assessment of the financial condition of the YW Financing Group calculated by reference to the financial statements produced in respect of the companies in the YW Financing Group. These financial and other covenants are set at levels which are based on the current accounting principles, standards, conventions and practices adopted by the relevant companies.

Exceptional expenditure (for example but not limited to extreme weather events) has, under the provisions of the Common Terms Agreement, historically been disregarded for the purposes of calculating interest cover ratios. Changing accounting standards and guidance may, depending on the nature of such exceptional expenditure, affect whether such expenditure can then be shown as an exceptional item in the financial statements of YWS or need to be disclosed in full in other sections of the annual report and financial statements.

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

Absence of secondary market and/or limited liquidity

There can be no assurance that a secondary market for the Bonds will develop, or, if a secondary market does develop for any of the Bonds issued after the date of this Prospectus, that it will provide any holder of Bonds with liquidity or that any such liquidity will continue for the life of the Bonds. Consequently, any purchaser of the Bonds must be prepared to hold such Bonds for an indefinite period of time or until final redemption or maturity of the Bonds.

The liquidity and market value at any time of the Bonds are affected by, among other things, the market view of the credit risk of such Bonds and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, domestic and international political events and the performance and financial condition of the Issuer, the YW Financing Group and the Kelda Group.

Potential investors should be aware that global markets have been negatively impacted by the war in Ukraine and the war in the Middle East, the imposition of trade tariffs, prevailing global market conditions and reduced growth expectations for the Organisation for Economic Co-operation and Development economies, which could affect any secondary market for instruments similar to the Bonds. Additionally, these uncertainties have been exacerbated in the UK and the European Union by developments such as consumer energy price inflation in recent years and disruption to global supply chains. This, alongside elevated global demand for goods and supply shortages of specific goods, led to an inflationary pressure and rises in UK interest rates. Continuing inflationary pressure may result in further interest rate increases over time. This uncertainty may have implications for the liquidity of the Bonds in the secondary market.

Factors which are material for the purpose of assessing the market risks associated with the Bonds under the Programme

Bonds subject to optional redemption by the Issuer

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

The Issuer may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. 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 Bonds 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. Please see for further information Chapter 8 "*The Bonds*", Condition 8 "*Redemption Purchase and Cancellation*" of the Conditions of the Bonds.

Index linked Bonds

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

Potential investors should be aware that:

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

(ii) they may receive no interest;

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

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

(v) an investor's liability is limited to the value of their investment;

(vi) interest payments will fluctuate to reflect changes to the index from time to time;

(vii) they may lose all or a substantial portion of their principal of any index-linked Bonds issued under the Programme;

(viii) the index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

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

(x) the timing of changes in the index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the index, the greater the effect on yield.

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

The historical performance of an index should not be viewed as an indication of the future performance of such index. Inflation indexes may go down as well as up. Where Bonds in respect of which the amount of interest payable is subject to adjustment by reference to movements in an

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

Please see for further information Chapter 8 "*The Bonds*", Condition 7 "*Indexation*" of the Conditions of the Bonds.

Fundamental Changes to RPI, CPI or CPIH

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

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

In particular, in March 2020, a public consultation was launched on proposals issued by the UK Statistics Authority ("**UKSA**") on the timing and method of bringing CPIH methods and data sources into the RPI, including to cease the publication of RPI, and, in the interim, to change the methodology used for calculating the RPI with the aim of it converging with the methodology for calculating CPIH. In November 2020, the Government and the UKSA published their response to the consultation confirming that the methodology used for calculating the RPI will be aligned with the methodology for calculating CPIH no earlier than 2030. In November 2020, the UKSA Chair wrote to the UK Chancellor of the Exchequer informing him that the UKSA would be able to legally and practically implement its proposals in relation to RPI in February 2030.

In April 2021 the trustees of the BT, Ford and Marks and Spencer pension schemes filed an application for a judicial review, which was granted in December 2021, over the legality of the planned change to the calculation of RPI.

On 1 September 2022 the High Court ruled in favour of the Government, stating the proposed changes can legally and practically be made by the Government in February 2030. This High Court decision will have a significant impact on returns to index-linked gilt investors and other legacy users of RPI and it is unclear what, if any, further steps such investors may take.

At the time of issue of any index linked Bonds, the applicability or non-applicability of Condition 7 "*Indexation*", as the case may be, in the case of a fundamental change to RPI, CPI or CPIH, as the case may be, may have a positive or negative impact on the amount of interest payable on each interest

payment date and/or the amount to be repaid upon redemption of index linked Bonds. Each investor should consider carefully, and seek independent financial advice on, the impact of such changes on their investment.

In the transition from RPI to CPIH YWS will bear the risk that its revenues change at a different rate to any of its debt costs which are linked to RPI or CPI. If the methodology for calculating RPI is aligned with the methodology for calculating CPIH in 2030, as currently anticipated, YWS expects that there would not be a material mismatch regarding the rate of inflation used for the purposes of its revenue indexation and the rate of inflation used for the purposes of payments under its index-linked Bonds. If that is not the case, and the changes to RPI are not implemented as currently anticipated, the potential mismatch could adversely affect the ability of YWS to repay its debt and consequently the ability of the Issuer to repay the Bonds.

Fixed/Floating Rate Bonds

Fixed/Floating Rate Bonds may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Bonds may be less favourable than the prevailing spreads on comparable Floating Rate Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Bonds. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Bonds. Please see for further information Chapter 8 "*The Bonds*", Condition 6 "*Interest and other Calculations*" of the Conditions of the Bonds.

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

"Risk-free" rates, such as SONIA, have become more commonly used as benchmark rates for bonds in recent years. As disclosed in Chapter 8 "*The Bonds*" under Condition 6 "*Interest and other Calculations*", the Issuer may issue Floating Rate Bonds referencing SONIA.

Prospective Bondholders should be aware that the use of SONIA as a reference rate for bonds may be subject to 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 SONIA. Bonds referencing SONIA may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of the Bonds or mean that investors in such Bonds may not be able to sell such Bonds at all or may not be able to sell such Bonds at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The Issuer may in future issue Bonds referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA referenced Bonds issued by it under this Programme. Such variations could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Bonds issued under the Programme from time to time.

Interest on SONIA-based bonds with interest periods longer than overnight will be calculated on the basis of SONIA as applicable, compounded during the relevant interest period except during a specified period near the end of each interest payment date during which such risk-free rate will be fixed. The amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. It may be difficult for investors in Bonds which reference SONIA to reliably estimate the amount of interest which will be payable on such Bonds. If

Bonds referencing SONIA become due and payable as a result of an event of default under the Conditions, the rate of interest payable for the final Interest Period in respect of such Bonds shall only be determined immediately prior to the date on which the Bonds become due and payable and shall not be reset thereafter.

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

Investors should consider these matters when making their investment decision with respect to any Floating Rate Bonds referencing SONIA.

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

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

Furthermore, interest on Bonds which reference Compounded Daily SONIA is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Bonds which reference such risk free rates to reliably estimate the amount of interest which will be payable on such Bonds, and some investors may be unable or unwilling to trade such Bonds without changes to their IT systems, both of which could adversely impact the liquidity of such Bonds. If Bonds referencing Compounded Daily SONIA become due and payable as a result of an event of default under Condition 11 "*Events of Default*", or are redeemed early on a date which is not an Interest Payment Date, the rate of interest payable for the final Interest Period in respect of such Bonds shall only be determined immediately prior to the date on which the Bonds become due and payable. Please see for further information Chapter 8 "*The Bonds*", Condition 6(b)(ii) "*Interest Rate(s)*" of the Conditions of the Bonds.

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

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

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

Reference rates and indices, including interest rate benchmarks, such as EURIBOR which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("benchmarks"), have, in recent years, been the subject of political and regulatory scrutiny as to how

they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated.

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

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

At this time, it is not possible to predict the effect of any establishment of alternative reference rates or any other reforms to EURIBOR that may be enacted. Uncertainty as to the nature of such alternative reference rates or other reforms may adversely affect the trading market for EURIBOR-linked securities. The potential elimination of benchmarks such as EURIBOR, the establishment of alternative reference rates or changes in the manner of administration of such a benchmark could also require adjustments to the terms of the benchmark-linked securities and may result in other consequences such as interest payments that are lower than, or that do not otherwise correlate over time with, the payments that would have been made on those securities if the relevant benchmark was available in its current form. Each potential investor should consult its legal advisers (or any other relevant independent advisers) to make their own assessment about the potential risks relating to the effect of any establishment of alternative reference rates or any other reforms to EURIBOR that may be enacted. Please see for further information Chapter 8 "*The Bonds*", Condition 6 "*Interest and other Calculations*" of the Conditions of the Bonds.

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation could adversely affect any Bonds linked to a "benchmark"

The EU Benchmarks Regulation was published in the official journal on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that applied from 30 June 2016). The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things: it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with the extensive requirements in relation to the administration of benchmarks; and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The UK Benchmarks Regulation (Regulation (EU) No.2016/1011 as it forms part of domestic law by virtue of the EUWA), among other things, applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

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

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

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

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

Any of the above could potentially lead to the Bonds being de-listed or redeemed early or otherwise affected depending on the particular "benchmark" and applicable terms of the Bonds. Please see for further information Chapter 8 "*The Bonds*" and the Conditions of the Bonds.

Fallback arrangements could adversely affect Floating Rate Bonds

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

Where Screen Rate Determination is specified as the manner in which the Interest Rate in respect of Floating Rate Bonds is to be determined, the Conditions provide that the Interest Rate shall be determined by reference to the Page (or its successor or replacement).

Where the Page is not available, and no successor or replacement for the Page is available, where the Floating Rate Option specified is a "EURIBOR" Floating Rate Option, the Conditions provide for the Interest Rate to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent. Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such original Reference Rate), the Interest Rate may ultimately revert to the Interest Rate applicable as at the last preceding Interest Determination Date before the original Reference Rate was discontinued. Uncertainty as to the continuation of the original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the original Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Bonds.

Where the Page is not available, and no successor or replacement for the Page is available, where the Floating Rate Option specified is a "SONIA" Floating Rate Option, the Conditions provide for the

Interest Rate to be determined by the Calculation Agent by reference to the Bank of England's base rate plus the five-day mean of the spread of the SONIA Reference Rate to the Bank of England's base rate. Where the Bank of England Base rate is not available, the Interest Rate may ultimately revert to the Interest Rate applicable as at the last preceding Interest Determination Date before the original Reference Rate was discontinued.

Where ISDA Determination is specified as the manner in which the Interest Rate in respect of Floating Rate Bonds is to be determined, the Conditions provide that the Interest Rate in respect of the Bonds shall be determined by reference to the relevant Floating Rate Option in either the 2006 ISDA Definitions or the 2021 ISDA Definitions and the ISDA Benchmark Supplement. Where the Floating Rate Option specified is a "EURIBOR" Floating Rate Option, the Interest Rate may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If EURIBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Interest Rate that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Bonds. Each potential investor should consult its legal advisers (or any other relevant independent advisers) to make their own assessment about the potential risks associated with the elimination of a benchmark, or changes in the manner of administration or calculation of any benchmark, which could require or result in an adjustment to the interest payable in respect of any Bonds linked to such benchmark. Investors should carefully consider how any mismatch between the adoption of benchmarks and/or fallbacks under the Bonds may be different to or may impact upon any hedging or other financial arrangements which the Issuer and/or YWS is a party to. Please see for further information Chapter 8 "*The Bonds*", Condition 6 "*Interest and other Calculations*" of the Conditions of the Bonds.

Risks associated with Green Bonds, Social Bonds and Sustainability Bonds

Prospective investors who intend to invest in any "**Green Bonds**", "**Social Bonds**" or "**Sustainability Bonds**" (collectively, the "**Sustainable Bonds**") must determine for themselves the relevance of the information in the Programme and the relevant Final Terms by consulting with legal and other advisers and conducting any other investigation deemed necessary. There is currently no globally accepted framework or definition (legal, regulatory or otherwise) of, nor market consensus around, a "green", "sustainability" or "social" or an equivalently-labelled investment. If developed, the Sustainable Bonds may not comply with any such definition and their green / social / sustainable status (including, in relation to Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector and any implementing legislation, or any similar legislation in any jurisdiction) could be withdrawn at any time. Regulation (EU) 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds, which will apply from 21 December 2024 introduces a voluntary label (the "**European Green Bond Standard**") for issuers of green use of proceeds bonds where the proceeds will be invested in economic activities aligned with Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the EU Taxonomy Regulation, or Regulation (EU) 2020/852) as its forms part of domestic law in the UK by virtue of the EUWA. Any Sustainable Bonds issued under this Programme will not be aligned with the European Green Bond Standard and are intended to comply with the Yorkshire Water Sustainable Finance Framework only. It is not clear what impact the European Green Bond Standard may have on investor demand, pricing and liquidity of green use of proceeds bonds that do not meet such standard (such as the Sustainable Bonds).

On 26 February 2025, the European Commission published a first draft of the Omnibus Simplification Package, a proposal aimed at streamlining corporate sustainability reporting while maintaining the EU's sustainability goals. The UK government was also consulting on a UK Green Taxonomy until February 2025 providing investors with a tool to define which economic activities should be labelled

as green, which will be designed with harmonisation and interoperability with the taxonomies of other jurisdictions in mind.

Although the Issuer may agree to certain reporting and use of proceeds obligations while issuing Sustainable Bonds, failure to comply would not be an event of default. There is no direct contractual link between any Sustainable Bonds and any green targets of the Issuer. Therefore, payments of interest, principal or other amounts payable and rights to accelerate under the Bonds will not be impacted by the performance of Eligible Green Portfolio, Social Eligible Portfolio or Sustainable Eligible Portfolio funded out of the Bond proceeds.

If any Sustainable Bonds are listed or admitted to trading on a dedicated "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 Obligors, Arranger, Dealers (or 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 investment criteria as a result of any present or future law or regulations, its own by-laws, governing rules or mandates, in particular with regard to any direct or indirect green, social or sustainable impact of any projects or uses of proceeds. The criteria for such listings or admissions may vary between stock exchanges or securities market.

No assurance or representation is or can be given or made to investors by the Obligors, Arranger, Dealers (or any of their respective affiliates) or any other person that (i) the Green Eligible Categories, Eligible Green Portfolio, Social Eligible Categories, Eligible Social Portfolio, Sustainability Eligible Categories or Eligible Sustainability Portfolio (each as defined in Chapter 9 "*Use of Proceeds*") will meet or continue to meet any or all investor expectations regarding investment in "green bonds", "green", "social bonds", "social", "sustainability bonds", "sustainability" or "ESG" or equivalently-labelled investments; (ii) no adverse sustainable and/or other impacts will occur while implementing any projects or uses of the proceeds or that the Sustainable Bonds will comply with future standards or requirements for being Sustainable Bonds; or (iii) any listing or admission to trading on a "sustainable" or other equivalently-labelled segment of any stock exchange or securities market will be obtained or maintained. Furthermore, neither the Arranger nor the Dealers, or any of their respective affiliates, have undertaken any assessment of, nor are they are responsible for verifying whether the (i) Eligible Green Investments fall within the Green Eligible Categories; (ii) Eligible Social Investments fall within the Social Eligible Categories; or (iii) Eligible Sustainability Investments fall within the Sustainability Eligible Categories, nor monitoring the use of proceeds of any Sustainable Bonds.

The Issuer and/or YWS may request third parties with applicable expertise to issue an opinion or certification: (i) confirming that the Eligible Green Portfolio has been defined as per the broad categorisation of eligibility for green investments in the International Capital Market Association ("**ICMA**")'s 2021 edition of the Green Bond Principles with the June 2022 Appendix (the "**ICMA Green Bond Principles**") and the Loan Market Association's (the "**LMA**") 2023 edition of the Green Loan Principles ("**LMA Green Loan Principles**"); (ii) confirming that the Eligible Social Portfolio has been defined as per the broad categorisation of eligibility for social investments in ICMA's 2023 edition of the Social Bond Principles (the "**ICMA Social Bond Principles**") and LMA's 2023 edition of the Social Loan Principles (the "**LMA Social Loan Principles**"); (iii) confirming that the Eligible Sustainability Portfolio has been defined as per the broad categorisation of eligibility for sustainability investments in the ICMA's 2021 version of the Sustainability Bond Guidelines (the "**ICMA Sustainability Bond Guidelines**"); and/or (iv) regarding the suitability of the Sustainable Bonds as against environmental, social and/or sustainable standards (any such opinion or certification, an "**External Review**"). Investors should note that neither the Dealers nor any of their affiliates have undertaken, nor are they responsible for, any assessment of the ICMA Green Bond Principles or any verification of whether the Eligible Green Portfolio complies with the ICMA Green Bond Principles.

Any External Review and the Yorkshire Water Sustainable Finance Framework are not, nor deemed to be, incorporated into this Prospectus and may not reflect the potential risks or factors that may affect the value of the Sustainable Bonds, Eligible Green Portfolio, Eligible Social Portfolio or Eligible Sustainability Portfolio. The Yorkshire Water Sustainable Finance Framework may be updated from time to time and none of the Issuer or the Dealers or any of their respective affiliates assumes any obligation or responsibility to release any update or revision to the Yorkshire Water Sustainable Finance Framework and/or any other information to reflect events or circumstances after the date of publication of the Yorkshire Water Sustainable Finance Framework. An External Review and/or the Yorkshire Water Sustainable Finance Framework is not a recommendation by the Obligors, Arranger, Dealers (or any of their respective affiliates) or any other person to buy, sell or hold the Sustainable Bonds. Any External Review is only current as at its issue date and its providers are not required to subsequently update it. Currently, the providers of External Reviews are not subject to any specific regulatory or other regime or oversight. The withdrawal of an External Review and/or the Yorkshire Water Sustainable Finance Framework may affect the value of Sustainable Bonds and/or have consequences for investors with mandates to invest in green, social and/or sustainable assets. No assurance or representation is given by the Obligors, Arranger, Dealers (or any of their respective affiliates) or any other person as to (i) the suitability or reliability of any External Review or other opinion by a third party (whether or not solicited by the Obligors) or (ii) whether an External Review and/or the Yorkshire Water Sustainable Finance Framework will comply with any present or future investor expectations or investment criteria. The Bondholders have no recourse to the Obligors, Arranger or any Dealers (or any of their respective affiliates), providers of any External Review, nor YWS in respect of the Yorkshire Water Sustainable Finance Framework, for its contents.

The failure to apply the Sustainable Bond proceeds towards an eligible project, the withdrawal of any External Review, the issue of an External Review attesting that the Issuer is not complying with any matters for which the External Review was issued and/or the withdrawal of listing or admission to trading of the Bonds on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of Sustainable Bonds and also potentially the value of any other Bonds and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities used for a particular purpose.

In addition, the FCA has introduced its anti-greenwashing rule which requires communications to be (a) consistent with the sustainability characteristics of the product or service and (b) fair, clear and not misleading. The FCA's guidance on its anti-greenwashing rule, published in April 2024, refers to "sustainability characteristics" as being, in the FCA's view, "environmental or social characteristics", while noting that there is no single definition of sustainability. Accordingly, no assurance is or can be given by the Obligors, the Arranger, the Dealers or any of their respective affiliates or any other person to investors that any projects or uses of the proceeds will meet any or all investor expectations regarding such "green" or other equivalently labelled performance objectives or that any adverse sustainable and/or other impacts will not occur during the implementation of any projects or uses of the proceeds.

CHAPTER 5
DESCRIPTION OF THE YW FINANCING GROUP

In 2009, the YW Financing Group was established as a ring-fenced financing group separating YWS financially and operationally from the rest of the Kelda Group.

Chapter 3 "*Overview of the Financing Structure*" contains a structure chart showing the YW Financing Group.

YWS is subject to economic regulation as further described in this Prospectus. As such, YWS's operational performance can impact on its financial performance through the incentive and penalties systems which Ofwat has in place. In YWS's view, such operational performance figures are not financial measures and as such not alternative performance measures unless specifically disclosed as such.

YWS – the Company

There are 11 water and sewerage companies in England and Wales and six water-only companies. YWS is the fifth largest of the water and sewerage companies.

Area of Appointment

Under the WIA, YWS has been appointed as a water and sewerage undertaker for a geographic area occupying approximately 14,300 square kilometres, encompassing the former county of Yorkshire and part of North Derbyshire, which broadly covers an area from Sheffield and Chesterfield in the south, to Skipton and Leyburn in the west, to Hull, Scarborough and Whitby on the east coast and Northallerton in the north. The estimated total population served by YWS within this region is approximately 5.5 million people.

Key Financial Data

	Units	31/03/2023	31/03/2024	31/03/2025
Regulated water and sewerage services revenue	£'m	1,132.6	1,212.8	1,283.9
Non-regulated water services revenue	£'m	12.1	14.2	15.5
Total revenue	£'m	1,144.7	1,227.0	1,299.4
Operating costs	£'m	(908.0)	(990.4)	(975.2)
Operating Profit	£'m	236.7	236.6	324.2
Capital expenditure	£'m	534.1	684.6	889.8
Regulatory Capital Value	£'m	8,714.6	9,132.2	9,475.5
Average number of persons employed	No	3,804	3,686	3,876

Operational and Financial Overview

YWS collects and treats circa 1.3 billion litres of fresh water every day, treating the product to regulated standards and a quality that is fit for human consumption, and distributing to five and a half million consumers daily. YWS collects, treats and returns to the environment 1.9 billion litres of wastewater and rainwater every day.

Based on YWS's annual report and financial statements for the year ended 31 March 2025, revenue increased by 5.9 per cent. to £1,299.4 million, driven by inflationary increases in tariffs. Operating costs decreased by 1.5 per cent., largely relating to depreciation and amortisation where the prior year figure included a number of one-off impairments and asset write-offs. Underlying operating costs have decreased by 0.3 per cent.. This decrease includes the impact of the lower cost of energy (c. £24

million); and contracted activity (including repairs and maintenance) (c. £9 million); offset by increased employee costs (c. £12 million after capital recharges); charges for bad and doubtful debts (c. £9 million) following a review of our provision methodology; new water quality permit charges (c. £5 million); and business rates (c. £4 million). We continued to strengthen our cost control across the business throughout the year, which has mitigated additional operational pressures resulting from severe weather, including five named storms in the period from September 2024 to January 2025, and the driest spring period in Yorkshire for 132 years.

For the year ended 31 March 2025, the value of YWS's Appointed Business earning a return on investment (known as RCV) was £9,475.5 million (31 March 2024: £9,132.2 million). The increase reflects the level of capital investment over the 2025 year, along with inflation using March 2025 CPIH/RPI. Net interest payable in the financial year ended 31 March 2025 dropped 2.3 per cent. to £204.2 million largely as a result of lower inflation and SONIA rates, as well as a reduced balance on the intercompany loan due from Kelda Eurobond Co Limited.

To meet regulatory requirements and achieve its service objectives, YWS had a substantial capital investment programme extending throughout AMP7 and into subsequent AMP Periods. In 2025, YWS capital expenditure increased to £889.8 million (2024: £684.6 million) due to the phased delivery of the WINEP within AMP7 and delivery of other capital schemes with regulatory completion dates towards the end of the AMP. WINEP benefits in AMP7 have seen improvements to the environment and to river health across Yorkshire. Other significant investments have been made to meet legal and statutory Drinking Water Inspectorate demands and to reduce the frequency of storm overflows, where an investment of £180 million has allowed improvement work to be carried out at 120 Combined Sewer Overflows.

AMP8, the five years from 1 April 2025 to 31 March 2030) is the largest investment programme in Yorkshire Water's history with a forecast capex programme of £1.1 billion in the year ended 31 March 2026. The increased capital programme includes significant growth in our storm overflow programme with our Alliance partners, significant investment in PCDs such as mains replacement and metering, as well as a step change in proactive base maintenance.

YWS continues to evaluate proposals and opportunities for the business in accordance with YWS's "Six Capitals" sustainable accounting approach. The framework helps YWS make more informed decisions with a fuller understanding of their wider environmental and social implications, both now and in the future. It also provides a means by which to measure progress towards YWS' strategic objectives.

For the year ended 31 March 2025, YWS has invested around £266 million through its WINEP on improving the environment in Yorkshire and investigating the impact of its activities. The WINEP covers a broad range of requirements across the entire Yorkshire region, for both its clean water and wastewater activities. It includes management and improvement of land, the sources of clean water, the environmental impacts of reservoirs and abstractions, and the impacts of the wastewater YWS releases. The range of solutions vary from conventional engineering approaches, to its largest ever programme of catchment interventions. During the year, YWS completed over 300 WINEP obligations, including schemes to reduce the amount of phosphorous discharged to the environment, installing fish passes to help fish migration in the Yorkshire region, conservation activities to tackle invasive non-native species, restoration of sensitive upland habitats, and installing new monitoring equipment at its treatment works and storm overflows.

AMP8 sees YWS's largest ever environmental improvement plan to protect and improve the quality of water in its rivers and coasts. Over the next five years, YWS will be investing £1.7 billion to create cleaner, safer water environments that support recreation and biodiversity across Yorkshire and help the region thrive.

YWS owns approximately 70,000 acres of land, making it the second largest landowner in Yorkshire. YWS works with its tenants and partners to provide environmental benefits such as peatland restoration, flood management, recreation, farming, wildlife conservation and carbon storage.

Base statistics 2024/25

Water Service

Area of supply	14,294km^2
Population served	5,442m
Properties served	2,289m
– residential	2,173m
– business	116k
Length of potable mains	32,466km
Number of water treatment works	50
Number of service reservoirs	395
Number of water towers	27
Number of impounding reservoirs	42
Number of water reservoirs	116
Number of boreholes	41

Wastewater Service

Population Served	5,442m
Properties served	2,289m
– residential	2,190m
– business	98k
Length of "legacy" public sewers	31,118km
Length of formerly private sewers and lateral drains (s105A sewers)	21,560km
Number of sewage treatment works	603
Number of combined sewer overflows	2,007

The Business

Water Resources

Water resources fall into two basic categories: (i) surface water (primarily sourced from reservoirs and rivers); and (ii) groundwater (principally from aquifers or other underground sources). Abstractions from these sources are made pursuant to abstraction licences issued by the EA.

Treatment Infrastructures

Abstracted water is treated at water treatment works prior to distribution to customers through water mains and service pipes. Following treatment, water is stored in one of 422 enclosed service reservoirs and water towers which serve to balance the rates of production and demand. Water from groundwater sources can be of such good quality that only disinfection is necessary while surface water, particularly that from upland sources, requires more advanced treatment often involving at least three stages.

Distribution

YWS distributes treated water through its trunk and distribution mains. These mains are of differing age and condition. YWS also has 501 treated water pumping stations. At the centre of the network is the integrated Yorkshire "Grid" which is a large diameter (raw and treated water) trunk main system connecting 99 per cent. of the Yorkshire supply area. The Grid provides flexibility and resilience in managing raw water and meeting customer demand.

Supply and Demand Management

To ensure that there is sufficient water to supply YWS's customers, both now and in the future, YWS needs to manage its water resources, treatment and distribution efficiently and effectively. This is assessed through the Water Resources Management Plan, which is reviewed and revised every five years and shows how YWS plans to maintain a secure supply of water to all YWS customers and plan for future uncertainty to include the impact of climate change, sustainability drivers and growth.

In November 2022 the YWS Draft Water Resources Management Plan 2024 was published for consultation.

Following the consultation period which ended in February 2023, YWS submitted a Revised Draft Water Resources Management Plan 2024 to DEFRA in October 2023. A further revision of the Revised Draft Water Resources Management Plan 2024 was submitted in May 2024 following DEFRA's request for further information in February 2024.

The Revised Draft Water Resources Management Plan 2024 identified some significant risks to the future supply/demand balance. The plan to mitigate the deficit includes a twin track approach that will deliver demand reduction and increase the YWS available water supply.

YWS were informed by DEFRA of the Ministerial permission to publish its final Water Resources Management Plan 2024 (the "**Water Resources Management Plan 2024**") in Autumn 2024 and subsequently the plan was published as a final version in January 2025. It can be found at https://www.yorkshirewater.com/resources.

The Water Resources Management Plan 2024 evidences that in the baseline scenario, without activity to address it, there is a forecast supply/demand deficit from 2025 onwards. This deficit will be met through a combination of multiple demand reduction measures and new supplies. Demand reduction investment is planned to meet the 2050 targets set out in the Government Environment Improvement Plan to achieve 50 per cent. leakage reduction, 20 per cent. distribution input reduction and a household per capita consumption target of 110 litres per head per day. In addition, the plan meets the interim target to reduce non-household consumption by 9 per cent. by 2038. From the start of AMP8, these targets will be achieved through planned leakage activities, a significant smart metering programme, mains renewal and household and non-household water efficiency measures which continue throughout the planning horizon to 2050. In addition, to improve long-term resilience to drought, new borehole supplies are planned in the near term (AMP8 and AMP9) as well as further more strategic resource options delivering in AMP9 and AMP10 to backfill the loss of the current bulk import from Severn Trent Water in 2035 and to address sustainable abstraction reductions within the region.

In relation to measures and strategies to contain and manage the demand for water from customers, YWS has a comprehensive water efficiency strategy in place. This includes promotion of water efficiency to customers through engagement, advice and practical measures. The aim of these initiatives is to raise customer awareness of the need to use water more conservatively. YWS provides customers and businesses with water saving advice and access to water saving products and supports relevant research.

In August 2022, following much lower than average rainfall in spring and summer, YWS implemented a temporary hosepipe ban (the first since 1996) which was subsequently lifted in December 2022. The Water Resources Management Plan 2024 summarises the lessons learned from the 2022 dry weather event and these have been incorporated into the plan.

In the Water Resources Management Plan 2024 YWS maintains a level of service equivalent to one temporary use ban every 25 years; drought permits every 50 years and more severe, level 4 restrictions (such as rota cuts) every 100 years. By 2028, due to the planned investment in the plan, this level of service will have increased to 1 in 200 years for level 4 restrictions and YWS's reliance on drought measures will have decreased.

Drinking Water Quality

YWS has continued to maintain a high level of compliance with mandatory EU and UK drinking water quality standards. This high level of compliance has been largely achieved as a result of ongoing investment improving drinking water quality throughout previous AMP Periods and this will continue with new commitments during AMP8 to give further improvements.

Leakage Control and Security of Supply

Customers require YWS to reduce leakage, particularly when provided with information about performance in comparison to other water companies. YWS achieved PR19 target of reducing leakage by 15.1 per cent. by 2025. YWS remains committed to a longer-term ambition to reduce this further in AMP8 and support increasing challenge on YWS's resilience to climate change.

Wastewater Treatment Works

The largest wastewater treatment works are located at Knostrop (Leeds), Blackburn Meadows (Sheffield) and Hull, each serving population equivalents of over 500,000 people.

A £2.4 billion enhancement programme will be delivered in AMP8, the largest enhancement programme YWS have delivered within an AMP. £1.5 billion is linked to delivering WINEP storm overflow schemes, and £0.4 billion is linked to delivering WINEP nutrient schemes, which continues with phosphorous removal schemes.

Bioresources

YWS's bioresources business is responsible for the transport, treatment and recycling of sewage sludge. YWS takes partially treated sewage to generate renewable energy and quality products that go to agriculture, thereby creating value from waste and reducing carbon emissions. The bioresources market is estimated to be worth up to £1.6 billion in the UK and Yorkshire Water currently spends around 8 per cent. of its annual operating costs treating sludge. YWS generated 337 GWh of renewable energy in 2025.

YWS's AMP8 plans for bioresources centre around continuing to provide this high-quality service as efficiently as possible in the context of a growing population and extreme weather events. This includes maximising energy generation at YWS's sites and embracing the sludge treatment competitive market as part of an industry-wide effort to drive efficiency, boost resilience and deliver further innovation within the water sector.

Around 150,000 dry tonnes of sewage sludge are treated each year by Yorkshire Water. Through the treatment facilities at Knostrop Leeds and Huddersfield, combined with existing regional facilities, YWS will convert all of its sludge waste into renewable energy through a process known as anaerobic digestion.

By the end of AMP7 Yorkshire Water will have 13 sludge treatment centres. These are plants across the region treating sludge, converting it into a fertiliser, and creating a biogas that can be turned into

electricity. This electricity is used to offset additional electricity costs that would otherwise be purchased to operate the largest sewage treatment works. The renewable energy benefits of sludge treatment will help YWS with its commitment to be net zero and keep customer bills low.

Customer Charges

Charges for water supply and sewerage services are calculated separately based on the average costs of providing each service for each class of customer. Customers with unmetered supplies are billed primarily in advance on an annual basis, with payment being annually, semi-annually or by instalments. For supplies of metered water, non-domestic customers are billed periodically, depending on the volume of their consumption, and domestic customers are normally billed quarterly, in arrear.

YWS has a growing number of bulk water supply and discharge agreements with NAVs which require bulk charging arrangements to be put in place. YWS follows Ofwat's prevailing guidance with respect to the setting of charges for bulk supplies to NAVs in the region, YWS also has a small number of Existing Bulk Water Supply Contracts, which are determined on an individual basis, as are charges for some larger trade effluent customers. Trade effluent from industrial users is normally charged on a formulaic basis taking account of the volume of wastewater, its strength and costs of removal and treatment.

Separate charges are made for water supply and sewerage services, and the combined average water supply and sewerage services bill for both metered and unmetered domestic customers in the 2024/25 billing period was approximately £467 (2023/24: £441).

YWS has placed metered charge bases on all new properties and those properties which have been converted into flats since 1989. YWS is also entitled to place metered charges on domestic customers who have certain categories of non-essential water use (for example, customers having a swimming pool or a garden irrigation system). In addition, all domestic customers can opt to have a meter fitted, where practicable, without incurring a charge.

In respect of non-domestic use, almost all commercial customers pay for water usage by volume, the only exceptions being in cases where metering has proved impractical or uneconomic.

In 2020/21 YWS experienced a reduction in the rates of new meters being installed in existing residential (i.e. not new build) homes. This was due to a number of factors including government restrictions, changing customer preferences, new YWS policies to protect colleagues and customers and a decline in demand driven by changing working habits. This has since reversed and YWS saw an increase in installation rates in 2021/22, and while this has been maintained in the current financial year, it still falls short of Ofwat expectations. During the next financial year, YWS expects the cost of living crisis to impact customer demand and to result in a further increase in installation levels.

YWS annually publishes its charges for the new connections services it provides to developers, self-lay providers and NAVs. These charges are set to reflect the costs to provide the services, and are assured to be compliant with Ofwat's charging rules for new connections services. In May 2024, Ofwat consulted on making changes to its charging rules to further protect customers with limited market choice. Ofwat is also developing an environmental incentives framework to promote the building of sustainable new homes by developers targeting lower domestic water use.

Bad Debts

Under the WIA, regulated water and waste water companies are legally prevented from disconnecting household customers from their water supply for failure to pay bills. Retail non-household customers, however, may be subject to a number of actions, including disconnection where persistent failure to settle charge occurs. YWS, through the use of a dedicated billing call centre (which is operated by

Loop Customer Management Limited), contacts customers who are in arrears and arranges payment plans wherever possible.

YWS's debt prevention and management strategy focuses on targeted collection strategies for different groups of customers ranging from customers who cannot pay to those who will not pay. This targeted approach uses information held by YWS and data sourced from credit reference agencies. YWS was the first water company in the UK to start sharing data with credit reference agencies. Access to credit reference agency data allows access to a wide range of data improving the accuracy of YWS's collections decisions targeting either enforcement or hardship strategies to the most appropriate customers.

Outsourcing

The principal activities that YWS outsources relate to its customer services activities, capital investment programme and several of its day-to-day maintenance operations. This is a common and long-standing practice among the water and sewerage undertakers in the UK. YWS has controls and processes in place to ensure appropriate risk assessment and management is applied when entering into outsourcing contracts and in selecting partners. Framework contracts exist with those partners engaged in delivering the largest capital schemes and all new capital projects are subject to a consistent review and authorisation process.

In a typical year YWS will make new contract arrangements for c. £200 million of spend. This will vary during the five-year investment period; particularly when the construction frameworks for the delivery of assets (the "delivery frameworks") are let, which are typically valued at c. £1 billion. In FY 24/25 the most significant contracts which have been let, relate to:

- Waste Water Repair and Maintenance Service Agreement - £312 million
- Pumps Supply and Maintenance - £58 million
- AMP8 SMART Meters - £23 million
- Waste Water Sludge Handling - £9 million
- CHP Repair and Maintenance - £9 million
- Inverter repairs - £8 million
- Third party sludge treatment capacity - £7 million
- Nitrogen purging and digester maintenance - £6 million
- Infrastructure framework for construction, renewal, refurbishment, and replacement of potable water and wastewater infrastructure assets - £218 million
- Major Non-Infrastructure framework – £861 million
- Minor Non-Infrastructure framework – £128 million
- Stormwater Overflow Alliance - £1 billion

Insurance and Risk Management

YWS maintains insurance as part of the Kelda Group insurance programme. The insurance coverage is reviewed and placed by an independent insurance broker with the result that YWS's insurances: (i) are consistent with principles of Good Industry Practice; (ii) have regard to the risk being covered; and (iii) address the interests of YWS and each Finance Party that provided financing to YWS. While the level of cover for property damage and business interruption is substantial, the deductible can be up to £20 million, so the cost to YWS can be material.

YWS is committed to strong risk management. Its vision is for "A Thriving Yorkshire, Right for Customers, Right for the Environment". Effective risk management helps ensure that YWS can meet its customers' needs and protect the environment, whilst keeping its colleagues safe and well. YWS has 15 principal risks, which are the risks that have the potential to threaten resilience or prevent it from achieving its strategic objectives. The Audit and Risk Committee is responsible for overseeing the effectiveness of the risk management framework. The framework promotes resilience through early identification of what could go wrong and putting controls in place to mitigate the effects before they happen. Risks are monitored against agreed appetite levels and escalated to be managed at the right level of the business.

The Board maintains oversight of risk management through a programme of risk reviews and deep dives across all its committees. Risk identification is both bottom up and top down. It is embedded in all operational systems and at a strategic level through horizon scanning, which involves collaborative research and annual insight into the medium- to long-term trends. A corporate risk assessment matrix ensures a consistent measurement of both impact and likelihood. Strong systems of internal control are in place to mitigate risk to an acceptable level and where risks are outside of appetite, action plans in place and monitored monthly by the Executive.

Derivatives Portfolio

As part of YWS's proactive management of its swap portfolio, during the year ended 31 March 2025, YWS addressed the mandatory break date in February 2025 on inflation-linked swaps with a total notional value of £23 million. Post-February 2025 cash flows have been cancelled through an early settlement payment made in June 2024. Subsequent to cancellation of these swaps in February 2025, the total notional value of the inflation linked swap portfolio is £1,089 million. The next mandatory break date in the portfolio is February 2028 in relation to swaps with a notional value of £110 million.

In addition, YWS entered into new RPI to CPI(H) swaps with a notional value of £350 million maturing in 2030, to hedge basis risk exposure on the RCV indexation.

YWS's ongoing efforts have resulted in a significant reduction in their mark to market liability to approximately £1.48 billion as at 31 March 2025 (compared to a peak of £3 billion in FY22).

Pensions

YWS is a participating employer to the KGPP (a defined benefit pension scheme), whose principal employer is Kelda Group. The ring-fencing programme does not segregate YWS pension arrangement from those of the Kelda Group. However, YWS's contributions to the KGPP and the Yorkshire Water Pension Savings Plan ("**YWPSP**") Defined Contribution ("**DC**") arrangement are made in respect of YWS's employees only. The statutory funding regime that applies to the KGPP provides for an allocation of liabilities attributable to each employer which participates in the KGPP and the rules of the KGPP set out the contribution obligations of each participating employer, including YWS. In the event of other Kelda Group companies becoming unable to meet the liabilities for their employees within the KGPP, YWS may become responsible for some or all of those liabilities as well as the liabilities for its own employees, or on a "last man standing" basis.

From 30 September 2007, the KGPP has been closed to new members and all new YWS employees since that date were invited to participate in the DC Kelda Stakeholder+ arrangement (until its discontinuance). From 1 July 2013 until 31 August 2022, new eligible employees were automatically enrolled in the Kelda Stakeholder+ arrangement to satisfy the requirements of section 3 "*Automatic Enrolment*" of the Pensions Act 2008. Since its closure to future contributions, employees have been invited to join the YWPSP, the current qualifying scheme used for automatic enrolment. The YWPSP was launched on 1 September 2022 to replace the Kelda Stakeholder+ arrangement. Both DC arrangements are funded by both employer and employee contributions. All eligible employees are

auto-enrolled into the YWPSP from day one of employment and all colleagues who are not eligible for auto-enrolment are invited to join the plan from day one.

The KGPP closed to future accrual on 31 March 2024, following a 60 day consultation with active members in late 2023. Proposals were also made to change the index for a subset of categories within the KGPP from RPI to CPI. The change of index subsequently took effect from the increase date of 1 April 2025.

The pension arrangements are of the group "multi-employer scheme" nature, such that YWS's pension scheme assets and liabilities are included with those of other companies in the Kelda Group. The fair value of the KGPP as at 31 March 2025 shows a surplus of £98.6 million (2024: £86.0 million surplus).

The KGPP is subject to the UK statutory funding regime, with contributions subject to agreement between the KGPP principal employer and trustees and the body which acts as "Independent Body" of the KGPP. The UK Pensions Regulator has the power to impose a schedule of contributions and recovery plan should it not be possible to reach agreement on the KGPP's contributions (which has never occurred).

Please also refer to sections in Chapter 4 "*Risk Factors – Financing Risks – Pension Risk*".

Strategy

YWS, as a regulated water and wastewater company, provides some of life's most essential services and YWS is a custodian of the region's natural environment and critical infrastructure. YWS is regulated by four main authorities to act in the best interests of the society that it serves: Ofwat, the EA, the DWI and the HSE.

During the year ended 31 March 2023, YWS set out a new ten-year strategy, with a vision for a thriving Yorkshire. As the water and sewerage company for Yorkshire, the services that YWS provides have a significant impact on the county and YWS wants to help ensure Yorkshire thrives, both now and into the future, with services that are right for its customers and right for the environment. During the year ended 31 March 2025, YWS reviewed the corporate strategy in detail to ensure it remains fit for purpose, and concluded that it continues to be so, with some minor amendments needed as the AMP8 period begins. The 'improving asset health' strategic pillar has been updated to 'improving asset performance' (see "*Achieving the Vision*" below) to better reflect that YWS investment is in some cases to increase capacity and in other cases to improve asset health. The previous 'modernisation' foundational area has been updated to 'strategic change' (see "*Achieving the Vision*" below) to encompass all YWS strategic change programmes. Compliance is now included as a specific part of the 'sustainable business' foundational area, given its importance to YWS.

"Right for our customers" means that YWS will provide safe, clean, great tasting water and return wastewater safely to the environment, in a way that delivers good value for money. YWS has been open in its future plans about bills needing to increase to enable YWS to invest more in infrastructure, however, it is offering greater support to customers who struggle to pay their bills.

"Right for the environment" means protecting precious water resources and minimising the impact of wastewater on the natural environment of Yorkshire. YWS are extremely focused on reducing pollution and sewer flooding and improving river and coastal water quality. YWS has clear long-term plans in place and is making significant investments to reduce wastewater discharges, including £180 million of additional investment up to 31 March 2025 (which was announced in August 2022) to improve over 130 of the worst performing storm overflows (as at 31 March 2024), and a further £1.54 billion of investment to reduce discharges further in the five-year period to 2030.

Achieving the vision

Strategic pillars

The strategy has three pillars which are key areas of focus to reach the vision.

(i) Improving Asset Performance

Asset performance is critical to delivering the service that YWS customers expect and to protect the environment. Water and wastewater assets include the YWS pipe network, the treatment works where water or wastewater is treated and all the assets that link these together. YWS needs to keep investing in pro-active maintenance to reduce asset failure, as well as creating new assets to improve the quality, resilience and capacity of the services provided. YWS aims to do this while keeping bills as low and protecting the environment through nature-based solutions where possible.

(ii) Creating an engaged, high- performing team

People are extremely important to YWS's plans. YWS wants to be an inclusive workplace where everyone feels safe, respected, and encouraged to do well. This also applies to contract partners that work closely with YWS to drive continuous performance improvement.

(iii) Taking a joined-up approach

In order to deliver what is right for Yorkshire, YWS needs to work collaboratively within the organisation and with customers and other stakeholders.

YWS strategy has two key foundational areas which underpin the rest of the strategic activity; modernisation and sustainable business:

(i) Strategic change

YWS's strategic change programmes underpin all three pillars of the strategy described above and is the primary way of accelerating the change that YWS needs to meet performance ambitions, maximising innovation and security. The programmes will drive improvement in performance of assets and service to customers and colleagues, while helping to minimise the impact on the environment.

(ii) Sustainable Business

The strategy is built on long-term responsible business practices. This includes looking after the health, safety and wellbeing of colleagues, partners and everyone else impacted by YWS activities, and ensuring a financially stable and sustainable business. It includes the aim for 100 per cent. compliance with all statutory and regulatory obligations and all processes and procedures, 100 per cent. of the time.

Resilience and sustainability are imperatives within the strategy

Central to YWS's strategy is the need to ensure long-term resilience and remain adaptable to changing circumstances. YWS's business fundamentally relies on natural, social and financial resources, and there are major challenges to the resilience of its services from factors such as climate change, population growth and resource constraints.

To address these challenges YWS has:

- embedded its "*Six Capitals*" approach into decision making processes to help expand its understanding of risk and value, and drive better decision-making that considers social, environmental and financial impacts;
- established the Yorkshire Water Sustainable Finance Framework, which aligns YWS's financing with its broader corporate strategy and the accompanying annual impact reporting allows investors to see how their money is allocated between YWS's sustainability goals;

- taken an adaptive pathway approach to planning for the future, which helps account for future uncertainties and allow YWS to make the timely investment decisions to deliver its strategy efficiently;
- developed 25+ year strategic investment plans to mitigate long-term risks and ensure YWS can continue to deliver safe, reliable services to customers in future; and
- implemented adaptation measures to build operational resilience to the impacts of climate change, such as through building flood defences, relocating vulnerable assets and deploying nature-based solutions.

Litigation

Save as disclosed below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which YWS is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of YWS.

YWS and all other water and sewerage companies in England, were facing a number of claims by multiple personal search companies ("**PSCs**"). The claim was for historic fees which the PSCs claim should not have been paid because the information requested amounted to "environmental information". The PSCs were unsuccessful in their claim, which has now concluded. YWS were awarded legal costs, as were all other companies involved.

YWS together with five other water and sewerage companies in England and Wales was issued with proceedings in respect of an alleged breach of the Competition Act. The claim is brought by the Proposed Class Representative, Professor Carolyn Roberts on behalf of the customers of YWS, alleging that YWS and the other five companies have engaged in unlawful discharge of untreated sewerage and wastewater into waterways leading to a breach of competition law, a Certification Hearing took place in September 2024, following which a judgment was received which confirmed that the claim had not been certified. On 26 June 2025, the Court of Appeal granted the Proposed Class Representative permission to appeal that judgment. YWS and the other five water and sewerage companies will jointly respond to this appeal. For more information, please see Chapter 4 "*Risk Factors – Litigation*".

Please also refer to sections in Chapter 4 "*Risk Factors – Environmental Regulatory and Statutory Obligations*" and Chapter 4 "*Risk Factors – Breach of Instrument of Appointment Conditions*".

Regulation

Economic Regulation

YWS's business and results are affected by the regulated tariffs which YWS may charge its customers, as approved by Ofwat, as well as by drinking water quality, health and safety and environmental regulations and the terms of its Instrument of Appointment. As part of each Periodic Review, Ofwat sets price limits every five years intended to enable water and sewerage companies in England and Wales to finance their operations and earn a reasonable return on capital. As part of this process, YWS submits a five-year business plan to Ofwat for approval prior to the start of each Periodic Review Period, after which a final determination (each a "**Final Determination**") is made by Ofwat. The AMP8 Period relates to the period from 1 April 2025 to 31 March 2030, and the corresponding Final Determination (the FD) was published by Ofwat on 19 December 2024.

Where unexpected costs or savings occur during the period relating to a Final Determination, mechanisms do exist to facilitate interim adjustments, although such adjustments are subject to

stringent conditions. Therefore, in practice, unexpected costs or savings are more commonly only reflected in the prices set for the next AMP Period.

In October 2024 the UK and Welsh Governments established the Independent Water Commission, led by Sir Jon Cunliffe, to provide recommendations for a fundamental 'reset' of the water sector. In June 2025 the Independent Water Commission published its interim report (see "*Regulatory Developments – Cunliffe Review*").

Regulatory developments

On 13 October 2022 YWS announced that intercompany loans of £940 million originally made by YWS to Saltaire Water Limited and Kelda Holdco Limited, which were subsequently novated to Kelda Eurobond Co. Limited, would be repaid by the end of March 2027. This will include a repayment of not less than £300 million by the end of June 2023, a repayment of not less than £200 million by the end of March 2025 and the repayment of the remaining balance of the intercompany loans (which is expected to be approximately £440 million) by the end of March 2027 (see Chapter 4 "*Risk Factors*" under "*Breach of Instrument Appointment Conditions*" and "*Financial covenants*").

These intercompany loans were originally made in connection with the acquisition by Kelda Group plc in 2008 and 2009 respectively and are excluded from the calculations of YWS's reported gearing and interest cover for covenant purposes.

The Board of YWS has resolved to exercise its right under the loan agreements to recall the intercompany loans made to Kelda Eurobond Co Limited by YWS, with at least £300 million to be received on or before 30 June 2023, at least a further £200 million to be received on or before 31 March 2025 and the remaining balance of the loans to be received on or before 31 March 2027.

Kelda Holdings Limited, the ultimate holding company of YWS (as described in Chapter 3 "*Ownership Structure*"), is owned by, Gateway HK Water Limited, Gateway HK Water II Limited and Gateway Infrastructure HK Limited, Epsom Investment PTE Limited, Wharfedale Hong Kong Limited, and State Infrastructure Holdings 1 Pty Limited (the "**KHL Shareholders**"). The KHL Shareholders provided Kelda Holdings Limited with a capital injection of £500 million to be drawn on 28 June 2023, of which YWS received an initial instalment of £400 million by the end of June 2023, in excess of the £300 million instalment agreed with Ofwat. Subsequently, YWS received a second instalment of £100 million during May 2024. In combination, the initial and second instalments received total £500 million and satisfy the undertakings to repay at least £300 million by the end of June 2023 and £200 million by the end of March 2025 (please see further Chapter 4 "*Risk Factors*" under "*Breach of Instrument Appointment Conditions*"). The board of Kelda Holdings Limited have recognised that further repayments of the intercompany loans will need to be made in accordance with the schedule agreed with Ofwat.

A portion of the funds received in June 2023 (i.e. an additional sum of approximately £100 million) will be invested during the remainder of AMP7 to reduce storm overflow spills by at least 20 per cent. per year by March 2025 from the 2021 baseline. The balance will be used to reduce financial gearing and YWS consequently expects reported regulatory gearing to reduce to be no higher than 72 per cent. at the end of AMP7 unless YWS chooses to accelerate AMP8 capital investment into AMP7 (which may occur).

This will mean that shareholders will have foregone dividends for nine years during AMP6 and AMP7. YWS has updated Ofwat several times to demonstrate compliance with the undertakings to date, the latest update being shared with Ofwat in April 2025.

Delivery for customers

In 2024/25, YWS met 19 of the 44 performance commitments, and 5 out of their 12 core performance commitments. Leakage is a commitment of high importance to customers and YWS achieved a 15.1 per cent. reduction in leakage from the 2019/20 baseline, which achieves the target set. YWS's performance reflects a major investment in its SMART network techniques which continue to reduce leakage and future plans to develop and deliver new SMART network projects inform YWS's future forecasts of further reductions to leakage. YWS deteriorated its Customer Measurement of Experience ("**C-Mex**") rank, placing tenth out of 17 water companies (2024 rank: ninth), as well as its Developer Measure of Experience ("**D-Mex**") ranking from fifteenth position in 2024 to sixteenth position in 2025.

YWS has met performance commitments for a number of asset health metrics such as mains repairs, sewer collapses and low pressure and has shown improvement on the previous year on other metrics such as water quality compliance, unplanned outage and renewable energy generation. YWS also decided to rebase its approach to operational carbon to focus on location-based performance in line with AMP8 metrics and thus did not purchase any Renewable Electricity Generation of Original (REGOs), resulting in missing its operational carbon performance commitment.

YWS's rating in the EPA conducted by the EA is forecast to be 2 stars for 2024. Particular areas of challenge have been in relation to serious pollution and WINEP delivery. We are committed to improve our environmental performance. We are focusing on targeting improvements in asset health, such as additional investment in rising mains, enhancing our operational intelligence of the sewer network by deploying over 20,000 pollution loggers, and improving our operational response to incidents. The delivery of a number of WINEP schemes was impacted by challenges in the supply chain, which impacted delivery programmes that had limited float. A review has been completed resulting in changes to our approach to programming and performance testing to mitigate any similar future risks.

Although YWS missed the performance target on bathing water quality, it is investing in this area. In early 2024, YWS delivered a new 835-metre £15 million sewer at Ilkley, the first inland bathing water site. This sewer is already reducing discharges above the bathing water designation. In March 2024, YWS announced plans to invest a further £60 million in the networks in Ilkley, including expanding the capacity at the treatment works. This investment has been approved by Ofwat. In May 2024, the Government announced 27 new inland bathing water designations, including two in Yorkshire at Knaresborough and Wetherby. YWS supported these applications at consultation stage and will work closely with local partners to improve the river health. One of Yorkshire's designated coastal bathing waters was closed in the 2024 season due to significant erosion, meaning access was not possible for the public and for the Environment Agency to complete their sampling. As a result, Ofwat agreed that the penalty applied should be reduced to account for the closed beach.

YWS incurred a penalty for missing its target for the per capita consumption metric due to the unprecedented effect of the Covid-19 pandemic, however, YWS is performing ahead of its peers in this metric. YWS's per capita consumption is 125.7 litres per day on a three-year rolling basis. As part of the FD, Ofwat has applied an adjustment to reduce the penalty that will be paid by companies to account for the impact Covid-19 has had on this performance.

In the period ended 31 March 2025, YWS also supported approximately 166,000 customers in paying their bills and increased the number of households on its Priority Services Register to 245,593.

Overall, this resulted in YWS being in a net penalty position of £49.6 million for 2024/25, taking into account the interventions from Ofwat on Per Capita Consumption and bathing water. YWS's latest available published performance against its 44 performance commitments and associated ODIs are set out in the table below for the twelve months to 31 March 2025.

Performance Commitment	Unit	Target	2024/25 Performance	ODIs in 2024/25*
Water quality compliance (CRI)	Nr	0.00	3.61	(£2.587m) penalty
Water supply interruptions	hh:mm:ss	< 00:05:00	00:08:27	(£4.238m) penalty
Leakage	%	> 15.0%	15.1%	£0.042m reward
Per capita consumption	%	> 8.9%	2.0%	(£1.976m) penalty - to be adjusted by Ofwat to (£0.933m) penalty
Mains repairs	Nr/1,000 km of mains	< 175.8	173.8	-
Unplanned outages	%	< 2.34%	2.48%	-
Risk of severe restrictions in a drought	%	0.0%	12.0%	-
Priority services for customers in vulnerable circumstances (combined metric)	%	Reach – >10.0%	10.6%	-
	%	Actual contacts – >35.0%	39.8%	-
	%	Attempted contacts – >90%	99.6%	-
Internal sewer flooding	Nr/10,000 sewer connections	<1.34	2.21	(£7.338m) penalty
Pollution incidents	Nr/10,000km of sewer network	<19.50	28.89	(£6.442m) penalty
Risk of sewer flooding in a storm	%	<22.20%	5.68%	-
Sewer collapses	Nr/1,000 km of sewer network	<15.39	6.97	-

Treatment works compliance	%	100%	98.39%	(£0.725m) penalty-
C-Mex	Nr (score)	-	74.48	(£0.180m) penalty
D-Mex	Nr (score)	-	82.06	(£1.908m) penalty
Working with others	Nr	45	46	-
Land conserved and enhanced	Nr of hectares	>15,239ha	18,300ha	£3.465m reward
Integrated catchment management	%	7.7%	0.0%	-
Length of river improved	Nr of km	>741.6km	627.0km	(£6.395m) penalty
Biosecurity implementation	Nr	12	8	-
Operational carbon	%	>12%	-172.6%	(£3.304m) penalty
Capital carbon and carbon arising from owned land	%	23.0%	27.0%	-
Education	Nr hours	>20,000	30,407	-
Creating value from waste	£	>£65m	£281m	-
Water recycling	Ml/d	>6.29	0.00	(£0.092m) penalty
Affordability of bills	%	>85%	76%	-
Direct support given to customers	Nr	>83,000	166,906	-
Cost of bad debt	%	<3.75%	3.52%	-
Priority services awareness	%	>65%	59%	-
Priority services satisfaction	%	>95%	72%	-
Inclusive customer services	%	>20%	23%	-
Gap sites	%	>94%	100%	-

Managing void properties	%	<3.80%	3.77%	£0.108m reward
Drinking water contacts	Nr/10,000 of population	<8.1	9.4	(£1.598m) penalty
Significant water supply events	Nr	12	19	(£1.855m) penalty
Low pressure	Nr	<12	9	-
Repairing or replacing customer pipes	Nr	>8,013	3,868	(£1.861m) penalty
External sewer flooding	Nr	<5,675	5,684	(£0.085m) penalty
Bathing water quality	Nr	>18	12	(£7.410m) penalty adjusted to (£6.175m) penalty
Surface water management	Nr of hectares	>20	20	-
Quality agricultural products	%	100%	100%	-
Renewable energy generation	Gigawatt-hours	>290gwh	337gwh	-
Delivery of WINEP requirements	-	Met	Not Met	-
Living with water	£m	£23m	£15.503m	(£7.497m) penalty

* The ODI figures are based on 2017/2018 prices.

Annually, Ofwat publish a Water Company Performance Report. This presents Yorkshire Water's performance alongside that across the wider industry. Within the report, Ofwat assess each company as either leading, average or lagging, based on performance against targets. For 2023/24, Ofwat did not categorise any companies as "leading". It rated 14 companies as "average" and three as "lagging". YWS was classed as an average company, moving up from lagging in the previous year. YWS published a Service Commitment Plan, detailing a number of actions to improve performance in the last two years of the AMP. Ofwat meet with YWS on a quarterly basis to review performance and the progress against the plan.

Customer Measure of Experience (C-Mex)

C-Mex is designed to incentivise water companies to provide an excellent customer experience for residential customers, across both the retail and wholesale parts of the value chain.

C-Mex comprises two surveys – the customer service survey of residential customers who have recently contacted their company in relation to that recent contact and the customer experience survey of random members of the public in relation to their experience of their water company.

In both cases customers are asked how satisfied they are with the service provided and how likely they would be to recommend the water company to family or friends. The net promoter score result is measured and reported separately to the C-Mex score which is used to calculate financial incentives.

C-Mex is a financial outcome delivery incentive, with performance measured on an annual basis. The company receives performance payments depending on how it performs in relation to the performance commitment level ("**PCL**"). The PCL is calculated annually using data from the UK Customer Satisfaction Index ("**UKCSI**") of the same reporting year. The UKCSI is an independent benchmark of customer satisfaction across different sectors, including telecommunication services, supermarkets and other utility providers.

As the whole industry performs below the UKCSI benchmark at present, Ofwat introduced an adjustment factor at FD to help balance the risk and reward. This factor reduces the UKCSI benchmark by 5 points for Y1-3 and 4pts for Y4-5 of AMP8.

The C-Mex PCD is allocated a level of risk equivalent to ±0.4 per cent. of the company's return on regulatory equity ("**RoRE**"). ODI rates are determined by assessing and applying recent performance ranges across the industry to the RoRE at risk to determine a unit rate £/C-Mex point. YW has a unit rate of ±£2.2 million for each point of out/underperformance compared to the adjusted benchmark.

Developer Measure of Experience (D-Mex)

D-Mex is a performance commitment with both financial and reputational incentives, to improve the customer experience of developer services customer in England and Wales. The customers captured by D-Mex includes small and large property developers, self-lay providers and those with NAVs. These customers can also include residential customers that have new mains connections installed.

D-Mex comprises a qualitative element which is a survey of developer services customers who have recently completed a transaction with their water company and a quantitative element which measures performance against a set of Water UK developer services level of service metrics.

The financial incentives for D-Mex are set comparatively with the best and worst performers receiving the maximum reward and penalty respectively with the median performer receiving no reward or penalty. The exposure is symmetrical, with performance payments and penalties of up to 0.25 per cent. of Appointee RoRE. This is a greater risk exposure to that in AMP7 which was based on company developer services revenue.

Business Customer and Retailer Measure of Experience (BR-Mex)

Ofwat's FD includes Business Customer and Retailer Measure of Experience ("**BR-Mex**") as a new common performance commitment designed to incentivise the Wholesaler (company) to provide an excellent experience for business (non-household) customers and retailers.

BR-Mex is calculated as a single score for the Wholesaler and is an aggregated value resulting from two sets of customer surveys and market performance metrics:

- Business (non-household) Customer Experience Survey (B-Mex) – a satisfaction survey of a random sample of business customers who have recently contacted their wholesaler (50 per cent.)
- Retailer Experience survey (R-Mex) - derived from a twice-yearly survey of Retailers (25 per cent.)
- Market Performance Framework Metrics (MPF) - based on industry measures of wholesaler performance, as determined under the industry's Market Performance Framework (25 per cent.)

BR-Mex incentive works similarly to D-Mex with a slightly lower risk exposure. The financial incentives are set comparatively with the best and worst performers in the industry receiving the

maximum reward and penalty respectively with the median performer receiving no reward or penalty. The exposure is symmetrical, with performance payments and penalties of up to 0.2 per cent. of Appointee RoRE.

Financial resilience in the water sector

Ofwat published "Financial resilience in the water sector: a discussion paper" in December 2021. Its objective is to ensure that companies can demonstrate financial structures that enable them to deliver their services in the best interests of customers, taking account of future pressures. This could be because of less predictable weather, the effects of climate change and population growth. Building on this paper, PR24 Final Methodology indicated that Ofwat will require board assurance that companies can maintain financial resilience over AMP8 and beyond in executing their business plan, and reserve the right to publish draft determinations with respect to incentive-based mechanisms within AMP8 if they are not satisfied with the progress in strengthening the regulatory protections or where companies with risky structures are not delivering tangible improvements in financial resilience. It is expected that stress testing scenarios will be prescribed and will require a level of headroom. The gearing reduction of the notional company (from 60 per cent. to 55 per cent.) signalled a move towards financial resilience although the target rating remained unchanged.

Furthermore, YWS has given a number of undertakings to Ofwat related to financial resilience on 12 October 2022 in connection with Ofwat's investigation of certain intercompany loans. For further information, please see Chapter 4 "*Risk Factors –Breach of Instrument of Appointment Conditions*" and Chapter 5 "*Description of the YW Financing Group*", "*Regulatory developments*".

Ring-Fencing and the YW Financing Group

As part of its obligations as a Regulated Company, YWS is subject to certain ring-fencing measures under its Instrument of Appointment.

The ring-fencing measures are intended to ensure: (i) that YWS has the means to conduct its Appointed Business separately from the Kelda Group; and (ii) that all dealings between the Kelda Group and the YW Financing Group are on an arm's length basis.

The main elements comprising the regulatory and structural ring-fencing of the YW Financing Group from the other Kelda Group companies are set out below.

Regulatory ring-fencing is common, in differing degrees, to each of the Regulated Companies in England and Wales pursuant to their respective instruments of appointment. Following a number of Ofwat consultations since 2018 aimed at **strengthening** the regulatory ring-fence, in July 2020, Ofwat updated the ring-fencing provisions in YWS's Instrument of Appointment, which are now principally found in Condition P. As at the date of this Prospectus, Ofwat is consulting on making certain amendments to licence Condition P (in respect of which please see "*Modification of an Instrument of Appointment Regulatory landscape*" below).

Under Instrument of Appointment Condition P19, as supplemented by RAG 5, YWS must ensure that transactions between it and its associated companies in the Kelda Group are on an arm's length basis to prevent cross-subsidisation of activities.

Under Condition P14, YWS must also ensure at all times, so far as reasonably practicable, that if a Special Administration Order was made in respect of it, YWS would have available to it 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 order could be achieved.

Ring-fencing provisions in YWS's Instrument of Appointment

The ring-fencing provisions contained in YWS's Instrument of Appointment are broadly similar to those contained in the licences of all other Regulated Companies. The most important of these provisions are:

- **Transactions between YWS and its associated companies:** Any transaction between YWS and its associated companies (being its subsidiaries and any affiliated companies) must be conducted at arm's length, such that there is no cross-subsidy of the associated company by YWS (or vice versa).

- **Restrictions on Dividend Payments:** YWS is required to only pay dividends in accordance with a policy that complies with the following principles: (i) such payments will not impair YWS' ability to finance its regulated activities; (ii) take account of service delivery for customers and the environment over time; and (iii) the payment of such dividends is to reward efficiency and the management of economic risk.

- **Adequate Resources, Systems of Planning and Internal Controls:** YWS is required at all times to act in a manner "best calculated" to ensure that it has adequate financial resources and facilities, management resources and systems of planning and internal control to carry out its regulated activities. Compliance with this requirement must not be dependent upon discharge by any other person of any obligation under, or arising from, any agreement or arrangement under which that other person has agreed to provide any services to YWS in its capacity as a Regulated Company. The directors of YWS are required to certify on an annual basis that YWS will have sufficient resources and systems of planning and internal control for the subsequent 12 month period. The basis on which such a view is formed must also be disclosed to Ofwat. As soon as the directors become aware of a reason why YWS cannot be expected to comply with this obligation, they are to file a report to this effect to Ofwat in accordance with the provisions of its Instrument of Appointment.

- **Conducting the Appointed Business of YWS:** YWS (and its directors) is required to operate the Appointed Business as though it were substantially YWS's sole business and YWS was a separate public limited company. YWS must meet the objectives on board leadership, transparency and governance ("**BLTG**") set out below and explain (in a manner that is effective, accessible and clear) how it is meeting these objectives. The BLTG objectives require the board of YWS to:

    - Establish the company's purpose, strategy and value;

    - Have full responsibility for all aspects of the company's business plan in the long term;

    - Have an approach to transparency and governance that engenders trust in the company and ensures accountability for their actions; and

    - Ensure that it and its committees are competent, well run and have sufficient independent membership.

Additional restrictions in YWS's Instrument of Appointment

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

- **Restrictions on other transactions:** Save with the express consent of Ofwat, YWS must not: (i) give a guarantee in relation to any liability of an associated company; (ii) make a loan to an

associated company; or (iii) enter into an agreement or other legal instrument incorporating a cross default obligation (whether with an associated company or otherwise). There are limited exceptions relating to existing cross-default obligations.

- **Publishing of financial information:** Although no longer expressly set out in its Instrument of Appointment, YWS is required to publish such information about its annual and interim financial results as is required by the Listing Rules as if YWS were listed on the London Stock Exchange.

- **Maintenance of a financial instrument listed on the London Stock Exchange:** Maintenance of a financial instrument listed on the London Stock Exchange: YWS shall maintain the listing of a financial instrument whose market price reflects its financial position on the London Stock Exchange and shall use all reasonable endeavours to retain that financial instrument.

- **Investment grade credit rating**: YWS (or any associated company which issues corporate debt on its behalf) is required to maintain two Investment Grade issuer credit ratings. The issuer ratings will reflect the financial capacity of the Appointed Business and therefore its ability to raise capital or maintain access to liquidity in the future. Any significant adverse changes to the ratings will act as an early signal that the ability of the Appointed Business to raise future finance is at risk

- **Cash lock-up:** The cash lock-up provision which prohibits, subject to certain limited exceptions, save with the express consent of Ofwat, the transferring, leasing, licensing or lending of any sum of cash or other assets to an associated company when YWS or any associated company which issues corporate debt on its behalf: (i) holds more than one issuer credit rating and any one of those is not Investment Grade; or (ii) holds an issuer credit rating which is at the minimum Investment Grade level and that rating has been put under review for possible downgrade or is assigned a negative outlook.

In relation to the second paragraph "*Restrictions on other transactions*" above, as part of its obligations under the Security Agreement, YWS gives guarantees and security in respect of the obligations of the other Obligors and there are also cross-default provisions applicable to YWS in relation to certain events occurring in respect of the other Obligors. Details of the guarantee and security package are set out in Chapter 7 "*Overview of the Financing Agreements*". YWS has obtained consent from Ofwat that such arrangements are permitted to subsist within the YW Financing Group.

Ultimate Controller Undertakings

Condition P requires that YWS secures legally enforceable undertakings from its Ultimate Controller (as defined below) and, when such Ultimate Controller is not the UK Holding Company, from its UK Holding Company, that it (and each of its subsidiaries, other than YWS and its subsidiaries), will:

- give YWS all such information as may be necessary to enable YWS to comply with its obligations under the WIA or with the conditions of the Instrument of Appointment; and

- refrain from any action which might cause YWS to breach any of its obligations under the WIA or the Instrument of Appointment;

YWS must inform Ofwat immediately in writing if it becomes aware that the undertakings have ceased to be legally enforceable, or that there has been any breach of their terms. Save with the written consent of Ofwat, YWS must not enter into any new contract or arrangement with its Ultimate Controller or the subsidiaries of such a person (other than subsidiaries of YWS) at a time when no such undertaking exists or there is an unremedied breach of such undertaking. Further, YWS must also inform Ofwat as soon as reasonably practicable if it becomes aware that: (i) arrangements are in progress or in contemplation which, if carried into effect, may lead to a change in Ultimate Controller(s); (ii)

arrangements have been put into effect which might be considered to have led to a change in Ultimate Controller(s); or (iii) any person intends to submit a merger control filing to the CMA or the European Commission with respect to an actual or potential change of control of YWS.

"**Ultimate Controller**" means any person (including, without limitation, a corporate body) which (whether alone or jointly and whether directly or indirectly) is (in the reasonable opinion of Ofwat) in a position to control or in a position to materially influence, the policy or affairs of the Appointed Business or of any Holding Company of the Appointed Business.

As at the date of this Prospectus:

- Wharfedale Hong Kong Limited is a holder of 23.37 per cent. of the shares in the equity of Kelda Holdings Limited and has provided a Condition P undertaking in similar terms to the other members of the consortium.
- State Infrastructure Holdings 1 Pty Limited is a holder of 12.75 per cent. of the shares in the equity of Kelda Holdings Limited, acquiring the same from Citi Infrastructure Investors and Infracapital Partners LP, and has provided a Condition P undertaking in similar terms to the other members of the consortium. The ultimate investor is SAS Trustee Corporation.
- Epsom Investment PTE Ltd is a holder of 33.56 per cent. of the shares in the equity of Kelda Holdings Limited and has provided a Condition P undertaking in similar terms to the other members of the consortium.
- Gateway HK Water Limited, Gateway HK Water II Limited and Gateway Infrastructure HK Limited (the "**Gateway Entities**") together hold 30.32 per cent. of the shares in the equity of Kelda Holdings Limited. The Gateway Entities are managed by Gateway Infrastructure GP (UK) LLP, who has provided a Condition P undertaking in similar terms to the other members of the consortium.

Board Composition and Activities of the YW Financing Group

YWS

Company Details

YWS is a private limited company which was incorporated in England and Wales on 1 April 1989 under the Companies Act with registered number 02366682. The registered office and headquarters of YWS are at Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ. As at 31 March 2025, YWS's allotted and issued share capital is £11,000,000 divided into 22,000,000 ordinary shares of £0.50 each. All ordinary shares have been issued and have been fully paid-up. YWS is a wholly owned subsidiary of YWH. The business address of the directors of YWS is Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ, and the telephone number is +44 1274 605 331**.**

Auditor of YWS

The Auditor of YWS is Deloitte LLP. Deloitte LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales.

Board Composition and Corporate Governance

YWS operates under the overall direction of the Board which is responsible for policy and strategic matters. In connection with the acquisition of Kelda Group plc (now Kelda Group Limited) by the Saltaire Consortium, a shareholder agreement was entered into between the members of the Saltaire Consortium prior to the acquisition of Kelda Group plc, giving members of the Saltaire Consortium certain rights in respect of appointing directors to the board of any Kelda Group company, subject to any order, direction or other instruction given by Ofwat.

Under its memorandum of association, YWS's primary objects are, amongst other things, to carry on the business of a water and sewerage undertaker. It is also empowered to act as a holding company of the Issuer, and YWSF. YWS's independence from its ultimate holding company is enhanced by the inclusion of the provision in YWS's articles of association that no YWS director shall vote on any contract or arrangement or any other proposal in which he has an interest by virtue of other directorships. The directors of YWS support high standards of corporate governance and have particular regard to the UK Corporate Governance Code issued by the Financial Reporting Council and the Ofwat Board Leadership, Transparency and Governance Principles. Internal corporate governance procedures are in place and regularly reviewed and updated to ensure compliance. YWS is also subject to the provisions of the Companies Act.

The Board currently consists of an independent non-executive chair, two executive directors, four investor non-executive directors, and five independent non-executive directors.

Executive Directors of YWS

Nicola Shaw CBE. Appointed as Chief Executive of YWS on 9 May 2022. Nicola was previously the UK Executive Director for National Grid and was previously the Chief Executive of High Speed 1 and a Director of First Group. She is currently a Non-Executive Director of International Airlines Group and appointed CBE in 2015.

Martin Gee. Appointed as the Chief Financial Officer of YWS on 1 June 2025. Martin joined Yorkshire Water from Sapphire Utility Solutions Ltd, having previously worked in various finance roles within United Utilities for over 18 years. Martin brings strong financial, operational and infrastructure experience to the Board, and is a Member of the Institute of Chartered Accountants in England and Wales.

Non-Executive Directors of YWS

Chair: Vanda Murray OBE. Appointed to the boards of Kelda Holdings Limited, Kelda Eurobond Co Limited and YWS on 1 July 2021 and subsequently becoming Chair on 1 September 2021, Vanda is a Fellow of the Chartered Institute of Marketing. From 2001 to 2004, Vanda was Chief Executive of Blick plc, a FTSE quoted company. She was also Managing Director of Ultraframe plc between 2004 and 2006. Vanda was appointed OBE for Services to Industry and to Export in 2002. Vanda is Non-Executive Chair of Yorkshire-based Marshalls plc and is the Senior Independent Director at Bunzl plc. She is also a Non-Executive Director at Manchester Airports Group.

Dame Julia Unwin. Appointed to the Board as an independent non-executive director in January 2017. Julia was the Chief Executive of the Joseph Rowntree Foundation for a decade until 2016. She has regulatory experience having served on the Boards of the Housing Corporation, the Charity Commission and she was Deputy Chair of the Food Standard Agency. In May 2019 Julia received a Lifetime Achievement Award from the Chartered Management Institute and was appointed a Dame in the 2020 New Year Honours list for her contribution to civil society. Julia is a Non-Executive Director of Mears Group Plc and is the Chair of the Board of Governors of York St John University. She is the Inaugural Chair of the Smart Data Foundry, Edinburgh University.

Andrew Wyllie CBE. Appointed to the Board as an independent non-executive director in September 2017. Andrew was Chief Executive of Costain Group Plc for 14 years until May 2019. He was also a Non-Executive Director of Scottish Water from April 2009 to April 2017. He is a Chartered Engineer with an MBA from the London Business School, a Fellow of the Royal Academy of Engineering and was President of the Institution of Civil Engineers in 2019. Prior to joining Costain, Andrew worked for Taylor Woodrow where he was the Managing Director of the construction business and a member of the Group Executive Committee. Andrew was awarded a CBE for services to engineering and

construction in the 2015 New Year Honours list. Andrew is a Non-Executive Director of Persimmon PLC and BMT Group Ltd and undertakes a variety of independent advisory roles.

Isabelle Caumette. Appointed to the Board as an investor non-executive director in November 2023. Isabelle is a London-based Senior Principal in the European Infrastructure Private Equity division of DWS, and is responsible for leading asset management for a number of funds and leading the transaction team on key infrastructure investment transactions. She is a voting member of the Investment Committee for the four European infrastructure funds managed by DWS. Prior to joining DWS's infrastructure business in 2011, Isabelle worked as a consultant at the Boston Consulting Group. Isabelle is also a Non-Executive Director of Kelda Holdings Limited, and a Non-Executive Director of Streem, a rail cars and tank containers leasing company.

Andrew Dench. Appointed to the Board as an investor non-executive director in September 2017. He was appointed as a non-executive director to the board of Kelda Holdings Limited, the ultimate parent of Yorkshire Water, on 30 September 2015. Andrew is a Senior Vice President in GIC's Infrastructure team, based in London. He is responsible for the ongoing management of GIC's global infrastructure portfolio. Prior to joining GIC, Andrew was deputy CEO / CFO of Veolia Water, UK, Ireland & Northern Europe, CFO of Electricity North West, and Head of Corporate Finance & Change at London Stock Exchange Group. While at Veolia, he was a Non-Executive Director of Affinity Water (formerly Veolia Water). Andrew started his career in the investment banking division of Morgan & Stanley, where he focused on project finance, mergers & acquisitions, utilities and the natural resources sector.

Andrew Merrick. Appointed to the Board as an independent non-executive director in June 2019. Before joining YWS, Andrew was Chief Financial Officer of Irwin Mitchell Solicitors having spent time as Group Finance Director at Dart Group Plc and as Director of Finance for Bradford & Bingley plc. He also sat on the Board of "Incommunities", a Bradford-based social housing provider. Andrew is a Non-Executive Director of Market Harborough Building Society, The Nell Bank Charitable Trust and a Director of Ilkley Lawn Tennis & Squash Club Limited.

Wendy Barnes. Appointed to the Board as an independent non-executive director on 1 November 2022. Wendy brings with her a significant breadth of knowledge from the utilities sector as well as in regulation, cyber security, customer services, and change management. She is currently a Non-Executive Director at both Scottish Power Limited and BMT Group Limited, having previously held non-executive roles at OCS Group, Southern Water Services Limited and Scottish Power Networks Limited. Wendy was previously the Interim Chief Operating Officer at the Department of Energy and Climate Change, and she has held executive roles within the water sector, with United Utilities.

Furqan Alamgir. Appointed to the Board as an independent non-executive director on 1 October 2024. Furqan is the founder and CEO of Connexin, a leading technology company based in Hull, specialising in smart city solutions and Internet of Things connectivity. Connexin was recently named as one of the Top 100 Fastest Growing Tech Companies at the Northern Tech Awards. Connexin was founded in 2006, whilst Furqan studied medicine at Imperial College.

Simon Beer. Appointed to the Board as an investor non-executive director in November 2024, having previously been an observer of the Board. Simon is currently a partner at StepStone Infrastructure and Real Assets, where he leads the Asset Management function. Prior to joining StepStone, Simon worked at Ontario Teachers' Pension Plan in their Infrastructure and Natural Resources team, where he focused on asset management and value creation across their global portfolio. Simon has also been a partner at KPMG, focused on operational movement in the Infrastructure and Natural Resources sectors.

There are no conflicts of interest between any duties to YWS of its directors and their private interests or duties. The business address of the directors of YWS is Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ.

Company Secretary of YWS

The Company Secretary is Kathy Smith.

Kathy Smith was appointed as YWS Company Secretary and Group Company Secretary on 22 August 2018. Kathy was previously Company Secretary and Director of Risk at KCOM Group plc, having earlier been Director of Internal Audit and Risk Management at KCOM Group plc. Kathy trained at Deloitte and is both a chartered accountant and chartered company secretary.

The Issuer

The Issuer is a public limited company which was incorporated in England and Wales on 2 July 2018 under the Companies Act with registered number 11444372. The registered office of the Issuer is at Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ. As at 31 March 2025, the Issuer's allotted and issued share capital is £50,001 divided into 50,001 ordinary shares of £1 each. All ordinary shares have been issued and have been fully paid-up. The Issuer is a wholly owned subsidiary of YWS. The business address of the directors of the Issuer is Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ, and the telephone number is +44 1274 605 331**.** The Issuer has no direct subsidiaries.

Directors and Company Secretary of the Issuer

As at the date of this Prospectus, the directors of the Issuer are Martin Gee and Nicola Shaw.

The Company Secretary of the Issuer is Kathy Smith.

The biographies of Martin Gee, Nicola Shaw and Kathy Smith are described in "*Directors and Company Secretary of YWS*" above.

Nicola Shaw was appointed as a director of the Issuer on 9 May 2022. Martin Gee was appointed as a director of the Issuer on 1 June 2025. Kathy Smith became company secretary of the Issuer on 22 August 2018.

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

The business address of the directors of the Issuer is Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ.

The Activities of the Issuer

The Issuer has no employees nor does it own any physical assets. Administration and treasury functions are conducted on its behalf by Kelda Group. It is the principal financing vehicle for YWS. Pursuant to the 2018 Reorganisation, the Issuer entered into all documents incidental to the Programme. The Issuer may also enter into Hedging Agreements from time to time in accordance with the Hedging Policy. See Chapter 7 "*Overview of the Financing Agreements*".

The Issuer has the power, under its memorandum and articles of association, to enter into the transaction documents to which it is a party and its directors have authority, under the Issuer's articles of association and pursuant to resolutions passed at meetings of the board of directors of the Issuer held on 7 April 2021 to exercise that power on its behalf.

The Auditor of the Issuer is Deloitte LLP. Deloitte LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales.

The activities of the Issuer are restricted in the Common Terms Agreement. See Chapter 7 "*Overview of the Financing Agreements*" under "*Common Terms Agreement*".

YWSF

YWSF was incorporated in England and Wales on 14 January 2003 as a public limited company with registered number 04636719 and was re-registered as a private limited company with the same registered number on 17 December 2008.

As at 31 March 2025, YWSF is a wholly owned subsidiary of YWS. Its allotted share capital is £50,000 divided into 50,000 ordinary shares of £1 each. The shares have all been issued and are fully paid up in the amount of £1 per share. YWSF has no other equity or debt capital, save for as disclosed in the section "*The Activities of YWSF*" below.

YWSF has its registered office at Western House, Halifax Road, Bradford BD6 2SZ and its telephone number is +44 1274 605 331.

Directors and Company Secretary of YWSF

As at the date of this Prospectus, the directors of the Issuer are Martin Gee and Nicola Shaw.

The Company Secretary of the Issuer is Kathy Smith.

The biographies of Martin Gee, Nicola Shaw and Kathy Smith are described in "*Directors and Company Secretary of YWS*" above.

Nicola Shaw has been a director of the Issuer since 9 May 2022. Martin Gee was appointed as a director of the Issuer on 1 June 2025. Kathy Smith became company secretary of the Issuer on 8 October 2018.

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

The business address of the directors of YWSF is Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ.

The Activities of YWSF

YWSF has not engaged in any activities other than those incidental to its formation and the authorisation of the issue of the YWSF Bonds. YWSF has no subsidiaries. YWSF may enter into Hedging Agreements in accordance with the Hedging Policy and may also enter into DSR Liquidity Facilities, the proceeds of which will be on-lent by YWSF to YWS pursuant to the YWSF/YWS Loan Agreements as required pursuant to the Common Terms Agreement. On 17 March 2022 YWSF entered into the current DSR Liquidity Facility Agreements.

The activities of YWSF are restricted in the Common Terms Agreement. See Chapter 7 "*Overview of the Financing Agreements*" under "*Common Terms Agreement*".

The Auditor of YWSF is Deloitte LLP. Deloitte LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales.

YWH

YWH was incorporated in England and Wales on 10 February 2009 as a private limited company with registered number 06815156.

As at 31 March 2025, YWH is a wholly owned direct subsidiary of Kelda Finance (No.2) Limited. Its authorised share capital is £100 divided into 100 ordinary shares of £1 each. Two ordinary shares have been issued at £1 each and are fully paid-up.

YWH has its registered office at Western House, Halifax Road, Bradford BD6 2SZ and its telephone number is +44 1274 605 331.

Directors and Company Secretary of YWH

As at the date of this Prospectus, the directors of YWH are Nicola Shaw, Kathy Smith and Martin Gee.

The Company Secretary of YWH is Kathy Smith.

The biographies of Nicola Shaw, Kathy Smith and Martin Gee are set out in "*Directors and Company Secretary of YWS*" above.

Nicola Shaw became a director of YWH on 9 May 2022. Martin Gee became a direction of YWH on 1 June 2025. Kathy Smith became a director of YWH on 8 October 2018.

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

The business address of the directors of YWH is Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ.

The Activities of YWH

YWH has no employees nor does it own any physical assets other than its shares in YWS. Administration and treasury functions are conducted on its behalf by YWS.

The principal activity of YWH is to hold the shares of YWS and to enter into documents incidental to the Programme. YWH has no direct subsidiaries other than YWS.

The activities of YWH are restricted in the Common Terms Agreement. See Chapter 7 "*Overview of the Financing Agreements*" under "*Common Terms Agreement*".

The Auditor of YWH is Deloitte LLP. Deloitte LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales.

CHAPTER 6
REGULATION OF THE WATER AND WASTEWATER INDUSTRY IN ENGLAND AND WALES

Water and Wastewater Regulation Generally

Background

The privatised structure of the water and wastewater industry in England and Wales dates from 1989, when the Water Act 1989 was enacted. As at April 2025, Ofwat recognised 65 companies providing water and sewerage services in England and Wales (including the eleven large regional water and sewerage companies, five large regional water only companies, twelve small companies providing water or sewerage or both, and 40 water supply and/or sewerage licensees offering regulated retail services to non-household customers, and one infrastructure provider). The provisions of the Water Act 1989 are now contained mainly in the consolidating Water Industry Act 1991 which itself has been substantially amended by the Water Industry Act 1999, the Water Act 2003, the Flood Water Management Act 2010, the Water Act 2014 and to a lesser extent by various other statutory provisions. References in this section to statutes are to the WIA, as amended, unless otherwise stated. The Water Act 2014 introduced a new, more liberalised market structure, vested more powers and responsibilities in Ofwat and made several changes to water resources and environmental regulation. Under the Water Act 2014, the non-household retail market opened to competition in England in April 2017. This new market structure provides a choice for owners of any (not just large) non-household premises to choose their provider as far as a retail service (for both water supply and sewerage) is concerned. These providers, or "water supply or sewerage licensees", comprise not only the original 12 licensees that served large-use customers before April 2017, but also new entrants. Certain eligible non-household customers can also seek to self-supply their premises.

Regulatory Framework

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

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

The two principal quality regulators are the DWI (the DWI is appointed by the Secretary of State for Environment, Food and Rural Affairs) and the EA. The EA is an executive non-departmental public body, sponsored by DEFRA. The DWI's principal task is to ensure that Regulated Companies in England and Wales are fulfilling their statutory requirements under the WIA and the water quality regulations for the supply of wholesome drinking water. The DWI carries out technical audits of each water undertaker and licensee inputting water into an undertaker's network. This includes an assessment of the quality of water supplied, arrangements for sampling and analysis, and progress made in delivering schemes to improve water quality. The EA's duties include the management and regulation of water abstraction from, and discharges to, controlled waters (which include rivers, coastal waters, territorial waters extending three miles from shore, inland freshwaters and groundwater).

The WIA, as amended by the Water Act 2003, introduced the independent consumer council for water consumers (known as "**CC Water**"). CC Water is an executive, non-departmental public body,

sponsored by DEFRA, whose role is to provide information of use to consumers and to promote the interests of all water consumers.

On 6 July 2016, the EU Parliament adopted the Directive on security of network and information systems (the "**NIS Directive**"). The NIS Directive provides legal measures to protect essential services and infrastructure by improving the security of Network and Information systems. The Government implemented the NIS Directive through the NIS Regulations 2018 (the "**NIS Regulations**"), which came into force on 19 May 2018. In January 2022, the Government launched a public consultation on proposals for legislation to improve the UK's cyber resilience. The proposals included policy measures which aim to address the evolving cyber security threats the UK faces via amendments to the NIS Regulations. Following the consultation, the Government confirmed in November 2022 that it is moving forward with plans to update the NIS Regulations as they apply to the UK. As part of the July 2024 King's Speech, the Government announced that it would introduce a Cyber Security and Resilience Bill in the 2025 Parliamentary session which would supersede the NIS Regulations. In April 2025, the Government published details of the measures to be included in the Cyber Security and Resilience Bill. The DWI is the competent authority for the purposes of the NIS Regulations. Drinking water supply and distribution has been designated as an essential service for the purposes of the NIS Regulations and Regulated Companies, who are suppliers of potable water to 200,000 or more people, are automatically designated as an "Operator of Essential Services" and are required to comply with its requirements. In sum, operators of essential services are required to take appropriate measures to manage risks to their network and information systems, to prevent and/or minimise the impact of incidents to those systems, and to notify the DWI of any incident that has affected the network and information systems which has had a significant impact on the continuity of the essential service. This will include occurrences where the operator of essential services has identified any operator error or interference with power, electronic systems, operational technology or information technology which has impacted on the supply, quality or sufficiency of water.

There are also specific requirements for development, and requirements for the protection and management of nationally and internationally important wildlife and natural habitats (either on land owned by YWS or on land affected by YWS's wider operations) regulated by Natural England, DEFRA and the EA.

Duties of Ofwat and the Secretary of State

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

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

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

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

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

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

(a) the long-term resilience of water supply and sewerage systems and services; and

(b) that Regulated Companies take steps to enable them, in the long term, to meet the need for water supplies and sewerage services to consumers, including by promoting long term planning and investment and managing water resources in sustainable ways.

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

On 21 May 2024, the Government extended the Growth Duty to Ofwat, The Growth Duty came into statutory effect in 2017 under the Deregulation Act 2015 and requires regulators to have regard to the desirability of promoting economic growth, alongside the delivery of protections set out in relevant legislation.

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

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

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

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

(iv) ensure that consumers are also protected in relation to any activities of Regulated Companies which are not attributable to the exercise of functions of a relevant undertaker, such as activities which do not fall within the scope of their statutory functions or activities with parties connected to the relevant undertaker;

(v) contribute to the achievement of sustainable development

(together, the "secondary duties").

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

Instrument of Appointment

General

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

supply licensing regime. Ofwat is responsible for monitoring compliance with licence conditions and, where necessary, enforcing compliance through procedures laid down in the WIA.

Termination of an Instrument of Appointment

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

- a Regulated Company could consent to the making of a replacement appointment or variation, which changes its appointed area, in which case Ofwat has the authority to appoint a new licence holder;
- under Condition O of a licence, where the Secretary of State has given the Regulated Company at least 25 years' notice and that period of notice has expired;
- under the provisions of the Special Administration regime, the Special Administrator may transfer the business and licence to a successor (see the section "*Special Administration Orders*" below); or
- by the granting of a NAV over part of a Regulated Company's existing appointed area to another Regulated Company (see "*Competition in the Water Industry*" below).

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

A NAV can be granted to a company seeking to provide water and/or water recycling services on an unserved site, or to premises using at least 50 Megalitres of water a year (if the area of the relevant appointee concerned is wholly or mainly in England, or 250 Megalitres a year (if the area of the relevant appointee concerned is wholly or mainly in Wales) within an existing Regulated Company's area, or where the incumbent Regulated Company consents to the variation. Inset appointments may be granted to any existing or new Regulated Company, but not a licensed water supplier.

Modification of an Instrument of Appointment - Regulatory landscape

Conditions of a licence may be modified in accordance with the procedures laid down in Section 12A of the WIA, as amended by the Environment Act. Subject to a power of veto in certain circumstances within a certain timeframe by the Secretary of State, Ofwat requires YWS's consent to modify the Instrument of Appointment of YWS, following the procedure prescribed in sections 13 onwards of the WIA. Before making the modifications, the WIA requires Ofwat to publish a notice containing the proposed modifications as part of a consultation process. This notice must be published and sent to the Regulated Company whose licence is being modified under Section 12A, any other Regulated Company whose interests are materially affected by the modification, the Secretary of State, the Consumer Council for Water and any person whose function is to represent the Regulated Companies and their interests who are likely to be materially affected by the proposed modifications (a "**Regulated Company Representee**"). This consultation gives the Regulated Companies and the identified third parties, a certain time (not less than forty-two days from the publication of the notice) to make representations in relation to the proposed modifications which Ofwat must consider. After

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

Where Ofwat proceeds with a modification under Section 12A of the WIA, an appeal can be made to the CMA. This appeal can be made by a Regulated Company whose licence is being modified under Section 12A, or by another Regulated Company whose interests are materially affected by the modification. Additionally, an appeal can be brought by a Regulated Company Representee, who is materially affected by the modification, or the Consumer Council for Water.

The CMA may refuse the appeal where the appeal is being brought by a Regulated Company, where that Regulated Company's licence is not being amended, and the CMA considers that Regulated Company's interests are not materially affected by the modification. A similar refusal mechanism applies to a Regulated Company Representee. In addition, the CMA may refuse an appeal where it is brought for reasons that are trivial or vexatious or has no reasonable prospect of success.

In determining the appeal, the CMA must have regard to the duties of Ofwat and the Secretary of State, as well as Ofwat's strategic priorities and objectives. These include furthering the consumer objective to ensure that the functions of Regulated Companies are properly carried out, and to ensure that Regulated Companies are able to finance the carrying out of those functions.

The CMA may allow the appeal where it is satisfied that the decision was wrong on one or more of the following grounds:

- that Ofwat failed properly to have regard to its duties, strategic priorities and objectives;
- that Ofwat failed properly to give appropriate weight to its duties or its strategic priorities and objectives;
- that the decision was based, wholly or partly, on an error of fact;
- that the modifications fail to achieve, in whole or in part, the effect stated by Ofwat;
- that the Authority did not follow the procedure required by Sections 12A to 12C of the WIA; and
- that the decision was otherwise wrong in law.

Should the CMA allow the appeal, it may quash the decision, or remit the matter back to Ofwat back to reconsider and make determinations in accordance with directions given by the CMA. Ofwat must comply with a direction given to it.

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

The CMA (and the Secretary of State in certain circumstances) also has, among others, the power to modify the conditions of the licence after an investigation under its merger or market investigation

powers under the Enterprise Act if it concludes that matters investigated in relation to water or sewerage services were anti-competitive or, in certain circumstances, against the public interest.

Since 2018, NAV activity has increased in the Yorkshire Water region and as at May 2025, 181 NAV appointments had been approved by Ofwat (80 for water, 14 for wastewater, 87 for combined services), with several others in the pipeline. For all the current appointments in the region, YWS supplies water and/or sewerage services in bulk to the NAVs on an ongoing basis through a bulk supply or discharge agreement. As such, YWS will have long-term relationships with the NAVs to manage.

Recent modifications to and proposals to modify the Instrument of Appointment

Ring-fencing

In March 2023, Ofwat made modifications to strengthen the ring-fencing licence conditions of the largest undertakers. The changes include:

(i) modifying the cash lock-up licence condition (i.e. the dividend restriction in Yorkshire Water's licence) to raise the cash lock-up trigger to BBB/Baa2 with negative outlook, effective from 1 April 2025;

(ii) modifying the dividend policy licence condition to require that dividend policies and dividends declared or paid should take account of service delivery for customers and the environment over time, current and future investment needs and financial resilience over the long term (which became effective on 17 May 2023);

(iii) requiring companies to notify Ofwat about any changes to credit ratings (including changes in rating and/or outlook, new ratings assigned or planned rating withdrawals), with reasons for the change, where applicable; and

(iv) requiring water companies to maintain investment grade issuer credit ratings with at least two credit rating agencies.

In March 2025, Ofwat published its decision on proposed modifications to strengthen the ring-fencing conditions of new appointee licences. This is based on the conditions of the largest undertakers, and addresses the current inconsistency between new appointee licences with regard to financial resilience. The modifications will come into effect on 17 July 2025.

Licence Fees

Regulated Companies are required to pay licence fees to Ofwat and Condition N of the licences set a cap on the level of these fees. In October 2022, Ofwat modified the regulation fee cap in order to ensure that the budget agrees with His Majesty's Treasury could funded. The modification came into effect on 1 January 2023.

Customer Condition

On 12 February 2024, following consultations, Ofwat introduced into each Regulated Company's licence a new customer-focused Condition G and deleted Condition J. Condition G now provides a new regulatory basis for the requirement for companies to treat their household customers fairly, including by providing support to vulnerable customers.

Direct Procurement for Customers (DPC)

Following a consultation process, Ofwat amended the licence of six water companies (including Yorkshire Water) in relation to DPC that involves a water company competitively tendering for services for the delivery of discrete large infrastructure projects. The licence condition amendments to Condition B and a new Condition U in relation to the affected companies were made on 23 April

2024 and came into effect on 21 June 2024 in advance of AMP8. These changes align with the changes Ofwat made in 2021 to five water companies for PR19 to enable DPC delivery. In Ofwat's 2024 price review (PR24) final methodology, Ofwat stated that major new infrastructure should be delivered by competitive delivery models by default. DPC was applied by default for all discrete projects above a size threshold of £200 million whole life totex.

In January 2022, Ofwat launched a consultation on whether to modify condition C of each English water company's Instrument of Appointment. The licence condition C relates to setting infrastructure charges. All water companies supported the proposal to remove licence condition C, as well as to reduce the time between making the modification and the modification taking effect. Condition C was removed from licences as of 1 April 2022.

Excluded Charges

In April 2024, Ofwat published its decision to amend the definition of "Excluded Charges" in Condition B (*Charges*) in the licence of the 14 English water companies for whom Ofwat will set price controls at PR24. Pursuant to this modification, new Excluded Charges, in relation to amounts or charges payable to those water companies for the specified developer services, will be added. The effect of these changes will be to exclude the revenue for these activities (including amounts payable for reasonable administrative expenses and other overheads) from the scope of the network plus price controls that Ofwat will be setting for the period from 1 April 2025 to 31 March 2030.

Enforcement Powers

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

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

- the contraventions were, or the apprehended contraventions are, of a trivial nature;
- the company has given, and is complying with, a Section 19 Undertaking to secure or facilitate compliance with the condition or requirement in question;
- duties in the WIA preclude the making or confirmation of the order; or
- where it would be more appropriate to proceed under the Competition Act.

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

The WIA also confers powers on Ofwat or the Secretary of State to impose financial penalties on Regulated Companies and the licensees introduced by the Water Act 2003. Ofwat and the Secretary of State have the power to fine such a company up to 10 per cent. (for each respective breach) of the relevant turnover (where possible relating to the business area where the breach occurred) in the business year if it has failed or is continuing to fail to comply with its licence conditions, standards of performance or other obligations. The penalty must also be reasonable in all the circumstances. The time limit for imposing such financial penalties has been extended by the Water Act 2014 from 12 months to 5 years. A penalty may not be imposed later than five years from the contravention or failure except when a notice under section 22A(4) of the WIA (indicating the amount of the proposed penalty and the circumstances giving rise to a penalty) or under section 203(2) of the WIA (requiring the Regulated Company to provide information in relation to the contravention or failure) is served during that period. Where a final or provisional order has been made in respect of a contravention or failure, a penalty cannot be imposed unless a notice under section 22A(4) is served within 3 months of the final order or confirmation of the provisional order, or within 6 months of the provisional order if it is not confirmed.

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

Ofwat published an updated enforcement strategy in April 2025. Ofwat confirmed that its approach to enforcement is aimed at securing companies' compliance with their legal obligations and improving company behaviours to protect the interests of customers and the environment. Ofwat's approach to enforcement must be consistent with the statutory framework in the WIA, Ofwat's statutory duties and must have regard to the desirability of promoting economic growth. Ofwat may consider the reduction or removal of a proposed penalty should the company offer an alternative redress package that suitably addresses the harm caused to consumers and/or the environment. Some contraventions can automatically result in the issuance of an enforcement order and in some instances, significant financial penalties.

The Water Act 2003 also provides for situations where a new licensee has caused or contributed to a breach of a Regulated Company's licence or caused or contributed to a Regulated Company contravening a statutory or other requirement, or where a Regulated Company has caused or contributed to the breach of a new licensee's licence or caused or contributed to the breach of the latter's statutory or other requirements. In those cases, Ofwat may impose an appropriate remedy. A Regulated Company may appeal a penalty order to the Court. The Court may cancel or reduce the penalty or extend the timescale to pay. The requirement to pay the penalty is suspended until the case is determined. A financial penalty may not be imposed under this provision for an infringement if it is more appropriate to proceed under the Competition Act.

Special Administration Orders

(a) ***Circumstances***

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

- where there has been, or is likely to be, a breach by a Regulated Company of its principal duties to supply water or provide wastewater services or of a final or confirmed provisional enforcement order and, in either case, the breach is serious enough to make it inappropriate for the Regulated Company to continue to hold its licence;
- where the Regulated Company is, or is likely to be, unable to pay its debts;
- where, in a case in which the Secretary of State has certified that it would be appropriate, but for section 25 of the WIA, for him to petition for the winding-up of the Regulated Company under section 124A of the Insolvency Act, it would be just and equitable, as mentioned in that section, for the Regulated Company to be wound up if it did not hold a licence; and
- where the Regulated Company is unable or unwilling to adequately participate in arrangements certified by the Secretary of State or Ofwat to be necessary by reason of, or in connection with, the appointment of a new Regulated Company upon termination or variation of the existing Regulated Company's licence.

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

(b) ***Special Administration Petition Period***

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

Once a Special Administration Order has been made, any petition presented for the winding-up of the company will be dismissed and any receiver appointed, removed. Whilst a Special Administration Order is in force, those restrictions imposed during the Special Administration Petition Period continue.

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

A Special Administrator has extensive powers similar to those of administrators under the Insolvency Act, but with certain important differences. They are appointed for the purposes of transferring to one or more different Regulated Companies as a going concern, so much of the business of the Regulated Company as is necessary to ensure the proper carrying out of its water supply or sewerage functions as the case may be and, pending the transfer, of carrying out those functions. During the period of the order, the Regulated Company is managed for the achievement of the purposes of the order and in a manner, which protects the respective interests of members and creditors. However, the effect of other provisions of the WIA is ultimately to subordinate members' and creditors' rights to the achievement of the purposes of the Special Administration Order.

Were a Special Administration Order to be made, it is for the Special Administrator to agree to the terms of the transfer on behalf of the existing appointee, subject to the provisions of the WIA. The Transfer Scheme may provide for the transfer of the property, rights and liabilities

of the existing Regulated Company to the new Regulated Company(ies) and may also provide for the transfer of the existing Regulated Company's licence (with modifications as set out in the Transfer Scheme) to the new Regulated Company(ies). The powers of a Special Administrator include, as part of a Transfer Scheme, the ability to make modifications to the licence of the existing Regulated Company, subject to the approval of the Secretary of State or Ofwat, as well as the power to exercise any right the Regulated Company may have to seek a review by Ofwat of the Regulated Company's charges pursuant to an interim determination of a price limit or a Substantial Effects Clause. To take effect, the Transfer Scheme must be approved by the Secretary of State or Ofwat. In addition, the Secretary of State and Ofwat may modify a Transfer Scheme before approving it or at any time afterwards with the consent of the Special Administrator and each new Regulated Company.

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

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

(d) ***Updates to the Special Administration Regime***

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

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

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

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

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

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

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

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

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

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

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

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

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

Protected Land

Under the WIA, there is a prohibition on Regulated Companies disposing of any of their Protected Land except with the specific consent of, or in accordance with a general authorisation given by, the

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

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

- was transferred to a water and sewerage company (under the provisions of the Water Act 1989) on 1 September 1989, or was held by a water only company at any time during the financial year 1989/90;
- is, or has at any time on or after 1 September 1989 been, held by a company for purposes connected with the carrying out of its regulated water or wastewater functions; or
- has been transferred to a company in accordance with a scheme under Schedule 2 to the WIA from another company, in relation to which the land was Protected Land when the transferring company held an appointment as a water or sewerage undertaker.

Unless a specific consent is obtained from the Secretary of State, all disposals of Protected Land must comply with Condition K of the licences of Regulated Companies. This condition seeks to ensure: (i) that, in disposing of Protected Land, the Regulated Company retains sufficient rights and assets to enable a Special Administrator to run its business, affairs and property so that the purposes of the Special Administration Order can be achieved; and (ii) that the best price is received from disposals of land. Where such proceeds were not taken into account when price limits were set, they are shared equally as between customers and shareholders. To this end there are certain procedures for and restrictions on the disposal of Protected Land and special rules apply to disposals by auction or formal tender and to disposals to certain associated companies. These include a restriction on the disposal (except with the consent of Ofwat) of Protected Land required for carrying out the Appointed Business. In addition, Ofwat can impose conditions on disposals of Protected Land including conditions relating to the manner in which the proceeds of a sale are to be used.

Given the purposes of the WIA (in particular, the purposes of the Special Administration regime and the restrictions on enforcement of security thereunder) and of Condition K of its licence, a Regulated Company would not expect to obtain the consent of the Secretary of State or Ofwat to the creation of any security over its Protected Land.

Security

Restrictions on the granting of Security

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

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

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

(b) to act in the manner best calculated to ensure that it has adequate: (a) financial resources and facilities; (b) management resources; and (c) systems planning and internal control, to enable it to carry out its regulated activities.

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

Restrictions on the enforcement of Security

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

Once a Special Administrator has been appointed, he would have the power, without requiring the Court's consent, to deal with property charged pursuant to a floating charge as if it were not so charged. When such property is disposed of under this power, the proceeds of the disposal would, however, be treated as if subject to a floating charge which had the same priority as that afforded by the original floating charge.

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

Within three months of the making of a Special Administration Order or such longer period as the Court may allow, the Special Administrator must send a copy of their proposals for achieving the purposes of the order to, *inter alios*, the Secretary of State, Ofwat and the creditors of the company. The creditors' approval of the Special Administrator's proposal is not required at any specially convened meeting (unlike in the conduct of a conventional administration under the Insolvency Act). The interests of creditors and members in a Special Administration are still capable of being protected since they have the right to apply to the Court if they consider that their interests are being prejudiced. Such an application may be made by the creditors or members by petition for an order on several grounds, including either: (i) that the Regulated Company's affairs, business and property are being or have been managed by the Special Administrator in a manner which is unfairly prejudicial to the interests of its creditors or members; or (ii) that any actual or proposed act of the Special Administrator is or would be prejudicial. Except as mentioned below, the Court may make such order as it thinks fit, and any order made by the Court may include an order to require the Special Administrator to refrain from doing or continuing an act about which there has been a complaint. The exception referred to above is that the Court may not make an order which would prejudice or prevent the achievement of the purposes of the Special Administration Order.

Enforcement of Security over Shares in Regulated Companies

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

Economic Regulation

Overview

Economic regulation of the water industry in England and Wales was historically based on a system of five-year single price caps imposed on the amounts which a Regulated Company can charge to its customers. This was replaced in PR14 (2015-2020) with a system of four (three for water-only companies) price limits, and then increased to six (four for water companies) in PR19 (2020 onwards). It covers water resources, water network and treatment, wastewater networks and treatment, bioresources, retail household and retail non-household. The system retains its incentive based properties and each price limit will operate for five years as with the previous regime, with the exception of retail non-household. The general features of Ofwat's determinations are described further below.

YWS specific information relating to the 2024 Final Determination is set out in Chapter 5 "*Description of the YW Financing Group*".

PR24 Price Control

Ofwat published for consultation its views in July 2022 on how the price control in AMP8 would be conducted, and this was subsequently updated by the PR24 Final Methodology published in December 2022.

YWS submitted its draft business plan for AMP8 to Ofwat in October 2023, as the opening claim on price control resources for AMP8, within the PR24 price control review process. YWS's initial business plan for the 2025-2030 regulatory period, developed in conjunction with customers, included spending £7.8 billion operating and investing in its network to deliver its essential services to customers and delivering its biggest ever environmental investment programme. This included an investment of £1.8 billion in delivering the WINEP enhancement programme including delivering the legal requirement of the Storm Overflow Discharge Reduction Plan.

PR24 Final Determination

On 19 December 2024, Ofwat published its FD for YWS (note Ofwat republished some relevant documents with corrections on 10 April and 12 May 2025). Notable features of the FD include the following:

- Ofwat's assessment of YWS's Totex, WACC, "cost of equity" and "cost of debt" in the FD compared to YWS's business plan for AMP8 were:

	YWS' Business Plan	**DD**	**YWS' DD Response**	**FD**
Totex	£8.1bn	£7.3bn	£8.3bn	£8.3bn

WACC	3.66%	3.72%	4.15% to 4.85%	4.03%
Cost of equity	4.55%	4.80%	5.29% to 6.48%	5.10%
Cost of debt	2.94%	2.84%	3.22% to 3.51%	3.15%

- Ofwat's cost assessment provided the total funding that had been requested in YWS's DD Response, although the split of these allowances was different to that which YWS had requested. Ofwat retained its assessment that YWS's base costs were "very efficient" in wastewater and bioresources and "efficient" in retail, but "inefficient" in water;
- Three of YWS's adjustment claims were accepted by Ofwat (water mains replacement, phosphorous removal and water meter replacement), with two rejected (for clean water asset health linked to treated water storage tanks, filters and clarifiers, and wastewater combined sewers);
- Ofwat made significant additional allowances to base costs to reflect energy inflation (correcting an error at DD) and the need for network reinforcements. It increased allowances significantly for enhancement expenditure, particularly YWS's storm overflow programme, where over £1.4 billion of investment was approved;
- Ofwat softened some of YWS's performance commitment levels to reflect industry performance in 2023/24, with targets set at the industry average position;
- Ofwat retained its frontier shift efficiency adjustment of 1 per cent. per year for the majority of base and enhancement expenditures, applied from 2023-24, compared to 0.7 per cent. in the business plan;
- Ofwat retained its proposed uncertainty mechanisms at DD to mitigate future risk, including business rates, Industrial Emissions Directive (2010/75/EU) (the "**IED**") and sludge land bank requirements. However, the majority of these only allow for the recovery of these costs at the next price review rather than adjusting revenues within AMP8. Additional protections were introduced at DD, including caps and collars on selective incentive mechanisms, and energy and labour cost indexation was also retained; and
- The FD saw the introduction of an Outturn Adjustment Mechanism, which will adjust the overall level of ODI payments for the industry if the median companies are significantly higher or lower than net neutral.

While the Board had significant concerns relating to the FD, regarding its impact on the investability of the sector, it concluded that the right outcome was not to seek a redetermination from the CMA, but to focus on delivery of the business plan.

Key features of the price limit framework

A key feature of the current price limit framework is Ofwat's continued ambition to set allowances independently of companies' business plans based on economic models of the costs of an efficient water company. This places the onus on companies to manage their business in such a way that is sustainable over the long term. Ofwat has moved to an "outcome based" regulatory model and hence put in place outcomes, commitments and ODIs which affect all price limits. The FD regresses this in some ways with the introduction of PCDs which define specific deliverables for elements of cost allowances. These have been developed during the price review for each price limit following extensive customer engagement and review by Ofwat. The outcomes apply to the Regulated Company and describe the outcomes that customers wish to be delivered. The YWS outcomes are set out in Chapter 5 "*Description of the YW Financing Group*".

For each outcome a series of appropriate commitments are established that set out the levels of performance that will be targeted in the current price limit period. For PR24, Ofwat specified 24 "common" performance commitments, which all companies were required to include in their plans. These reflected the priorities that were common to all customers, such as leakage, service interruptions or sewer flooding. Other "bespoke" performance commitments were proposed by companies to reflect local priorities. To incentivise delivery of these commitments, ODIs, primarily financial, are developed for each commitment. For financial incentives, the unit rate of reward or penalty, and the bands in which the incentive applies, are also established. Companies will report on their performance against all incentives (financial and non-financial) on an annual basis. Where financial rewards or penalties are accrued in any year, they are reflected in allowed revenues two years later.

In addition to the company-specific ODIs, Ofwat has included common performance ODIs to allow companies to be compared against a defined set of measures.

In PR19, Ofwat introduced two new customer satisfaction measures – C-Mex and D-Mex. C-Mex is a measure of household customers' satisfaction and replaces Ofwat's previous satisfaction measure, SIM. C-Mex carries a maximum reward and penalty of 0.5 per cent. of Appointee RoRe and is indexed to the UKCSI. D-Mex measures the service provided to developers wishing to connect to the water or wastewater network. The maximum reward and penalty is 0.2 per cent. of RoRE.

At PR24, Ofwat also introduced BR-Mex, a measure of satisfaction of business retailers with YWS's wholesale service to them. The maximum reward and penalty is 0.2 per cent. of RoRE.

Wholesale price limits

Ofwat continued to apply the same approach in PR24 to three of the wholesale controls: water resources, water networks and wastewater networks.

K factor: Three wholesale controls are subject to revenue caps which define the amount of revenue that can be collected in each control. This is limited to the previous year's revenue cap increased by the sum of the percentage movement in the CPIH plus K. K is a company and price limit specific adjustment factor which is set within the price review process, but can be amended within the AMP by in-period ODI determinations which relate to the reward/penalty payments relating to performance.

More specifically the wholesale price limit shall consist of, in each charging year:

- the percentage change (expressed, in the case of an increase, as a positive number, in the case of a decrease, as a negative number, and, in the case of no change, as zero) in the CPIH between the published for the month of November in the prior year and that published for the immediately preceding November; and
- a number, "K", which may be a positive number or a negative number or zero,

which together shall be expressed as a percentage, and which shall limit the change in the revenue allowed to the Appointed Business in each charging year in respect of the wholesale activities concerned.

For the purpose of this price limit, the revenue in respect of the wholesale activities concerned includes capital contributions such as cash receipts from connection and infrastructure charges (including requisitions and self-lay).

For each charging year starting on or after 1 April 2021, the revenue allowed to the Appointed Business in respect of the wholesale activities concerned will be the product of the following formula:

$$Rt = Rt\text{-}1 \times (1 + (CPIHt + Kt)/100)$$

Where:

Rt = Revenue allowed to the Appointed Business in charging year;

Rt-1 = Revenue allowed to the Appointed Business in the prior year;

CPIHt + Kt = a number which is the sum of:

(i) the percentage change (expressed, in the case of an increase, as a positive number, in the case of a decrease, as a negative number, and, in the case of no change, as zero) in the CPIH between that published for the month of November in the prior year and that published for the immediately preceding November; and

(ii) a number, "Kt" for charging year t, which may be a positive number or a negative number or zero.

Specific values for YWS for price limits for years 2025 to 2030 are set out in Chapter 5 "*Description of the YW Financing Group*".

The bioresources control is:

- a total amount of revenue which is modified to reflect differences between outturn sludge production and forecast sludge production;
- an adjustment to reflect any over- or under-recovery of revenue in previous charging years; and
- an adjustment to reflect any profit made by the Appointed Business where assets belonging to the Appointed Business are used by any other person (or by any business or activity of the Appointee other than the Appointed Business)

and shall limit the revenue allowed to the Appointed Business in each charging year starting on or after 1 April 2025. The price control shall be calculated by the following formula:

$$Rt = MRt - ABRt - [\ Tt\text{-}2 \times (\ 1 + CPIHt\text{-}1/100\ ) \times (\ 1 + CPIHt)/100\ )\ ]$$

Where:

$$MRt = [URt + (ATDSt - FTDSt) \times TR] \times \text{CPIH adjustment factor}$$

$$ABRt = (RRt\text{-}2 - Rt\text{-}2) \times (1 + D/100)^{2} \times (1 + CPIHt\text{-}1/100) \times (\ 1 + CPIHt/100)$$

URt = Unadjusted revenue. This is the total revenue allowed to the Appointed Business in each charging year starting on or after 1 April 2025 based on the forecast amount of sludge produced. It is set out in Table 5 within "*Ofwat's PR24 final determination of Price Controls for Yorkshire Water*".

MRt = Modified revenue. This is the unadjusted revenue allowed to the Appointed Business which is modified to reflect differences between outturn sludge production and forecast sludge production.

ABRt = Bioresources revenue adjustment. This is the difference between the Appointee's allowed revenue and the revenue actually recovered in a charging year two years before charging year t in respect of bioresources activities. Inflation and financing adjustments for two years is applied to this difference. In the charging years starting 1 April 2025 and 1 April 2026, this term shall have the value of zero.

Tt-2 = Profit from bioresources trading expressed in outturn prices in £ millions in year t-2. When appointed assets are used for sludge imports (non-appointed activities), the company will determine a transfer price. This should include at least the incremental cost of treating the imported sludge plus a proportion of the margin from the trade. The Appointee should act consistent with the Regulatory

accounting guidelines (RAG) 5.07 when setting their transfer price. The Tt-2 profits from bioresources trading will be the margin element of the transfer prices earned for trades that occur in year t-2. In the charging years starting 1 April 2025 and 1 April 2026, this term shall have the value of zero.

ATDSt = Actual volume of sludge (TDS). This is the total amount of sludge produced in terms of tonnes of dried solid (TDS) during the charging year produced by the whole service. This will be known after the end of the charging year. When setting charges for the charging year, companies should use the best available estimate of what ATDSt would be.

FTDSt = Forecast volume of sludge (TDS) produced in year t as set out in Table 5 within "*Ofwat's PR24 final determination of Price Controls for Yorkshire Water*".

TR = Total revenue. The adjustment to allowed revenue reflecting differences between outturn sludge production and forecast sludge production as set out in Table 5 within "*Ofwat's PR24 final determination of Price Controls for Yorkshire Water*".

Regulatory Capital Value (RCV): Under the methodology developed by Ofwat, the RCV of Regulated Companies is a critical parameter in the calculation of the wholesale price limits set at Periodic Reviews. It represents the value of the capital base of the relevant price limit for the purposes of calculating the return on the capital element of the determination of K. The value of the RCV to investors and lenders is protected against inflation by an annual adjustment. From the start of the PR24 price limit period, the RCV will be fully indexed by CPIH. In addition, Ofwat's projections of RCV take account of the assumed net RCV additions in each year of a Periodic Review Period which are a function of the total expenditure over the period and the pay-as-you-go ("**PAYG**") ratio. The PAYG ratio is established for each wholesale price control in the Final Determination and reflects the proportion of total expenditure that is remunerated in the current price limit period with the remaining non-PAYG Totex added to the RCV to be remunerated in future periods. The remuneration of the RCV occurs through the RCV run-off, where the RCV is reduced by the RCV run-off rate that is included within the revenue cap.

Totex

YW's Totex plan aims to regain YW's net-reward position in AMP8. The plan includes investment of £3 billion of investment on enhancement activities and £5.3 billion on base activities. The activities in YW's Totex plan focus on improving infrastructure health and increasing resilience, while seeking to reduce YW's carbon emissions and improve biodiversity. The plan includes both nature-based solutions that align to customer and government priorities.

The key points of YWs's Totex plan are as follows:

- £3.2 million Totex per day allocated to improve asset performance;
- £1.5 billion Totex allocated to reduce monitored discharges from storm overflows;
- £165 million Totex allocated to a programme of works to reduce discharges to two or fewer in bathing season;
- £361 million Totex allocated to reduce phosphorous in final effluent at 88 sites across Yorkshire; and
- £28.5 million Totex allocated to improve biodiversity.

YWS's average RCV growth was 28 per cent. in the period AMP5 to AMP7 and is expected to be 43 per cent. in AMP8.

Revenue Forecasting Incentive (RFI) mechanism:

In AMP6 Ofwat introduced a Wholesale Revenue Forecasting Incentive Mechanism ("**WRFIM**"), which replaced the previous revenue correction mechanism and provided an incentive to set tariffs so as to closely recover the allowed revenue whilst also providing a protection mechanism so that any over or under-recovery of revenue can be carried forward to the next year. The WRFIM allowed a dead band where revenue forecasting errors of between +/- 2 per cent. of allowed revenue attract no penalties. Should forecasting errors exceed 2 per cent., a penalty interest rate is applied to the amount of the error and this interest charge was deducted from allowed revenue at the price review in 2019. In the case where forecasting errors exceeded 6 per cent. of allowed revenue, YWS would have to furnish an explanation to Ofwat in addition to incurring the penalty interest rate charge.

In AMP7 Ofwat replaced the WRFIM with a new Revenue Forecasting Incentive mechanism ("**RFI**"). The mechanics were the same as those in the previous WRFIM, however it only covers three of the four wholesale controls, water resources, water network and wastewater networks.

For PR24, Ofwat will continue with the PR19 RFI mechanism that covers the water resources and network plus water and wastewater controls. The RFI provides an incentive to set tariffs so as to closely recover the allowed revenue whilst also providing a protection mechanism so that any over or under-recovery of revenue can be carried forward to the next year. The RFI allows a dead band where revenue forecasting errors of between +/- 2 per cent. of allowed revenue attract no penalties. Should forecasting errors exceed 2 per cent. a penalty interest rate is applied to the amount of the error and this interest charge will be deducted from allowed revenue at the price review in 2029, with the usual two-year lag i.e., penalties relating to forecasting errors in 2025/26 would reduce allowed revenues in 2027/28. In the case where forecasting errors exceeded 6 per cent. of allowed revenue, YWS would have to furnish an explanation to Ofwat in addition to incurring the penalty interest rate charge.

Retail Household Price Limit

The retail household control is materially different in structure to the wholesale controls. The retail household control does not have an RCV or K factor and is not indexed to CPIH. Instead, the control is based on an overall average cost to serve limit, which is a weighted average of the average cost to serve for a number of customer types i.e. meter or unmetered and whether water, wastewater or both. The limit is set for each year of the control and is set in nominal terms and is updated for actual customer numbers.

Restrictions on the charging

Under the WIA, Regulated Companies must charge for water supplied, or sewerage services provided, to dwellings in accordance with a charges scheme and must comply with any requirements prescribed by the Secretary of State. Regulated Companies are prohibited from disconnecting dwellings and certain other premises for non-payment of charges for water supply.

In its Information Notice 23/09, published in September 2023, Ofwat set out its expectations for 2024/2025 in relation to water company charges. Ofwat expects water companies to be transparent about how they set charges. Customers and other stakeholders expect water company charges to comply with all relevant statutory obligations, including Ofwat's charging rules. They also expect water companies to engage meaningfully on proposed charges and ensure that the information they publish is subject to high-quality assurance. Where water companies introduce new charging policies or see changes in the cost of providing services which lead to significant increases in charges, Ofwat expects water companies to have met a high evidential bar including appropriate third-party support for why the changes are being proposed; proven interactions with customers; and evidence of engagement with and support from customer representatives, where appropriate.

In August 2023 Ofwat published a consultation on "Changing Ofwat's charging rules to support the new developer services framework" that proposed the following:

- requiring companies to tether charges for typically uncontested sites to those of typically contested sites;
- increasing transparency and supporting the market through a requirement to further unbundle charges for activities involved in service connections;
- introducing two new scenarios for which companies will publish worked examples, to offer additional assurance to developer customers at sites not represented by existing scenarios;
- providing enhanced guidance via its Regulatory Accounting Guidelines on how to allocate costs to developer services;
- carrying out a market review prior to PR29, for companies to demonstrate how they support the developer services market; and
- requiring companies to set infrastructure charges taking account of differences between actual and forecast costs and revenues.

In light of the proposed changes to Developer Services, through the PR24 process, Ofwat published a consultation on the 23 May 2024 "Changing Ofwat's charging rules to further protect customers in the new developer framework". The changes proposed are designed to complement the deregulation of certain aspects of developer services that Ofwat will implement as part of PR24, by proposing measures that will offer protection to developer services customers for whom market choice is currently limited.

Initial conclusions to this consultation were published in May 2024 in which Ofwat concluded it would (i) cap the difference in charges for sites where competition is lower relative to where it is higher; (ii) require companies to publish separate charges and worked examples, for some activities needed to deliver service connections, within their published charging arrangements; (iii) require companies to publish charges for a new worked example scenario; (iv) carry out a market review early in the next price control period; (v) consider how best to implement additional guidance to water companies on allocating overheads separately; and (vi) allow companies to set infrastructure charges to enable them to recover all the costs of network reinforcement from developer customers whilst disallowing companies from offering income offset under or in connection with any agreement entered into from 1 April 2025. A further consultation on the details of the proposals was launched in May 2024. In December 2024, Ofwat published its conclusions, confirming the addition of minor, uncontroversial amendments to aid clarity and interpretation of charging rules to support the new developer services framework, and issued amended rules which took effect from April 2025.

Bulk Supply and special agreement charges

Bulk supplies, special agreements and access prices are special price terms that fall outside the standard tariffs that are outlined in YWS's schemes.

Bulk supplies are a supply of water (potable or non-potable) and/or sewerage services from one appointed company to another. They can be from:

- an incumbent water undertaker to another incumbent undertaker (also referred to as a "bulk transfer" or "water trade"); or
- an incumbent undertaker to an appointee under a NAV arrangement that serves a new development or large non-household user.

Special agreements are made between non-household customers and a supplier where the relevant large user tariff is not in place. These include trade effluent agreements.

Where a party applies to Ofwat for the bulk supply to be made or determined, Ofwat may order a supplier to enter into a bulk water supply agreement, under such terms and conditions as Ofwat specifies. Ofwat can only make an order if it is satisfied that the bulk supply is necessary for securing the efficient use of water resources and where it is satisfied that the parties are unable to come to any agreement themselves.

The Water Act 2014 enabled Ofwat to create codes relating to bulk supply pricing. In January 2021, Ofwat published its guidance "Bulk charges for new appointees - guidance on YWS's approach and expectations", replacing its 2018 guidance on "Bulk Charges for NAVs". As a supplement to the bulk supply pricing principles which Ofwat published in 2011, the guidance document sets out its approach when determining bulk charges set by an incumbent water company for bulk services provided to a NAV in England and Wales.

Interim Determination of a Price Limit

Under certain circumstances both the Regulated Company and Ofwat have the opportunity to apply for an interim determination between Periodic Reviews. An application for an interim determination can be made in respect of the following:

(a) Notified Item & Cost Change Process

The terms of what items and costs are reasonably recoverable (including thresholds for triviality and materiality) are set out in detail in Condition B of the regulated company's licence.

A Notified Item is any item formally notified by Ofwat to the Regulated Company as not having been allowed for (either in full or at all) in determining a price limit.

In AMP8, YWS has one notified item which could be triggered if bioresources land bank becomes unavailable due to changes in regulatory guidance and interpretation, leading to a material AMP8 investment requirement for alternative sludge removal solutions.

Ofwat is proposing a new "Cost Change" process, that may allow for revenue adjustments for a limited number of other drivers that are subject to uncertainty. These include cyber security and any new legal obligations associated with removing PFAS from drinking water. This process requires a licence modification, and will be consulted on in summer 2025.

(b) Relevant Changes of Circumstance

Relevant Changes of Circumstance are defined in the licences. Such changes include:

(i) the application to the Regulated Company of any new or changed legal requirement including any legal requirement ceasing to apply, being withdrawn or not being renewed (to the extent that the legal requirement applies to the Regulated Company in its capacity as a water or wastewater undertaker);

(ii) any difference in value between actual or anticipated proceeds of disposals of Protected Land and those allowed for at the last Periodic Review or interim determination; and

(iii) where, on an interim determination of a price limit, allowance has been made for taking steps to secure compliance or facilitate compliance with a legal requirement or achieve a service standard and the Regulated Company has failed to take those steps and: (a) as a result, failed to spend the full amount which it was assumed would be spent taking

into account savings which may have been achieved by prudent management; and (b) the stated purpose has not otherwise been achieved.

The conditions of the licences specify a materiality threshold which must be reached before any adjustment can be made. Condition B of the licence sets out in detail the step-by-step methodology which Ofwat is required to apply.

(c) Substantial Effects Clause

In addition, under the Substantial Effects Clause in the licence of a Regulated Company, the Regulated Company or Ofwat is permitted to request price limits to be reset if its Appointed Business either: (i) suffers a substantial adverse effect which could not have been avoided by prudent management action; or (ii) enjoys a substantial favourable effect which is fortuitous and not attributable to prudent management action. For this purpose, the financial impact is calculated in the same way as for the materiality threshold (set out in Condition B of the licence and referred to in (b) above), except that the 10 per cent. materiality threshold is replaced by a 20 per cent. materiality threshold. YWS has a Substantial Effects Clause in its Instrument of Appointment.

Ofwat can respond to applications for interim determinations by other Regulated Companies such as YWS by considering the substantial favourable effects mechanism.

Interim Determinations

Under the Substantial Effects Clause of the Instrument of Appointment, Ofwat can request price limits to be reset at a lower level if YWS's Appointed Business enjoys a substantial favourable effect which is fortuitous and not attributable to prudent management action.

Further, in respect of any interim determination of a price limit sought by YWS in respect of a substantial adverse effect on its Appointed Business, there is no assurance that such interim determination of a price limit sought will be made or, if an interim determination of a price limit or determination pursuant to the provisions of the Substantial Effects Clause is made, that such adjustment or determination will provide adequate revenue compensation to YWS, therefore, YWS would have to bear any additional cost from its own resources. In such an event, Ofwat will consider all aspects of a price limit under such a request and may make an adjustment or determination that could place YWS in worse a position than the existing price limit.

Performance Commitments and incentives

For the five-year AMP8 Period that started on April 2025 and will end 31 March 2030, YWS's plans include 23 performance commitments on its operational performance commitments. All of these have financial Outcome Delivery Incentives associated with them. The majority are in-period ODIs, which are applied during the five-year price control rather than at the end of the period. In-period ODIs increase the power of incentives by closing the time between performance against defined targets and the realisation of resulting financial reward or penalty.

YWS's Performance Commitments and ODIs for AMP8 were originally set out in detail by Ofwat in the 2024 Final Determination and in particular in the Yorkshire Water Outcomes performance commitment appendix (https://www.ofwat.gov.uk/wp-content/uploads/2024/12/PR24-final-determinations-Yorkshire-Water-Outcomes-appendix.pdf (which does not form part of this Prospectus)). Performance against these new commitments is published on the YWS website on a quarterly basis but will be confirmed through the annual regulatory reporting, which is published annually in July. For more information, please see Chapter 5 "*Description of the YW Financing Group*".

Targeted price limits

Ofwat has retained separate price limits for water resources, water network plus, bio-resources and wastewater network-plus from 1 April 2025. Ofwat has allocated RCV between the four price limits, using a focused allocation of RCV for bio-resources and an unfocused allocation for water resources. A focused allocation means the bio-resources RCV should be set equal to the estimated value of assets in this price limit. In this way: the RCV discount (the difference between the lower water RCV and higher asset value) is unfocused:

- on wastewater network-plus. Ofwat published guidance for companies on the appropriate approach for estimating the bio-resources asset value (e.g. using net modern equivalent asset values). An unfocused allocation means the water resources RCV as a proportion of the wholesale water RCV should be set equal to the water resources asset value as a proportion of the wholesale water asset value; and

- shared between water resources and water network-plus. Ofwat committed to protect the value of the RCV for efficient investment incurred before 31 March 2020, which has been included in the RCV allocated to the bio-resources and water resources price limits.

Changes to Indexation

For PR19, Ofwat introduced CPIH as a method of indexation. To smoothen the transition from the traditional RPI debt hedging instruments, they chose to apply CPIH to 50 per cent. of the existing RCV at 1 April 2020, plus all new RCV additions from then onwards. The remaining 50 per cent. of the RCV at 1 April 2020 continued to be indexed to RPI.

In PR24, Ofwat have fully transitioned to CPIH as the only indexation metric being applied.

For PR24, YWS moved to a fully CPIH indexed RCV.

References to the CMA

If Ofwat fails within specified periods to make a determination at a Periodic Review or in respect of an interim determination or if the Regulated Company disputes its determination, the Regulated Company can require Ofwat to refer the matter to the CMA for determination by it after making an investigation. The CMA must make its determination in accordance with any regulations made by the Secretary of State and with the principles which apply, by virtue of the WIA, in relation to determinations made by Ofwat. The decisions of the CMA are binding on Ofwat.

Financial Structure Monitoring Regime

During 2015 Ofwat introduced a "financial structure monitoring regime". The purpose of the framework is to enhance visibility and transparency of financial and capital structures in the sector, assess industry financial resilience and the risks to customers posed by companies' financial structures, and identify financial, structural and systemic risk which may impact on service delivery over time and prove harmful to customers. Ultimately, Ofwat can use the framework to identify whether it would be appropriate to intervene in the interests of customers.

PR24 Reconciliation Rulebook

On 19 May 2025 Ofwat opened a formal consultation for the proposals for the PR24 reconciliation rulebook, the consultation closes on 11 July 2025. The final rulebook and models will be published as soon as practicable after this date.

The reconciliation rulebook will set out how Ofwat proposes to reconcile incentives which were set as part of the 2024 Final Determination and reconcile company performance throughout AMP8 using in-period ODIs and at the price review in 2029. This process will build on PR19 and there are a number of new mechanisms that have been introduced in PR24.

The rulebook includes provisions as to how Ofwat will manage the areas which YWS are subject to.

Common reconciliations:

- bioresources revenue reconciliation model, which provides financial incentives to forecast and recover the allowed bioresources revenue based on tonnes of dry solids sludge that is produced;
- cost of new debt reconciliation model, which will index the cost of new debt by reference to a market benchmark index over 2025-30 at PR29, with an end period reconciliation adjustment;
- cost reconciliations model, where company overperformance and underperformance against the PR24 wholesale totex allowance is shared with customers. Bioresources totex is now included in this model after introduction of sharing rates in PR24;
- C-Mex, where companies are incentivised to provide excellent levels of service to their residential customers. Based on its performance compared to a benchmark based on the average of the UKCSI, each company can receive outperformance or incur underperformance payments each year;
- delayed delivery cash flow mechanism ("**DDCM**"), which has been introduced in PR24 and is purely a cashflow mechanism affecting revenue with no "penalty" element. This has been introduced to return money to customers where they have provided funding upfront for investment that has not been delivered;
- D-Mex, where companies are incentivised to provide excellent levels of service to their developer customers. Based on its relative performance, each company can receive outperformance or incur underperformance payments each year;
- the Innovation and Water Efficiency fund and competition model, which calculates the total amount of unused funds to be redistributed to individual companies' customers. Any remaining monies in the innovation fund from PR19 have been carried forward and the amount to be collected over the 2025-30 period has been increased to £400 million in PR24. The water efficiency fund has been introduced in PR24, and will be set at £100 million;
- in-period adjustments model, which has been increased in scope in PR24 to adjust price controls to reflect in-period adjustments to revenue from PR24 reconciliation mechanisms including the DDCM, delivery mechanism, cost change process and the outcome delivery incentives mechanism;
- land sales, which adjusts a company's RCV for any disposal of land (including any interest or right in or over land) by the regulated business during the 2025-30 period;
- major projects, which adjusts allowances for all major projects, including strategic resource options. It accounts for the extent of progression of major projects through both the competitive delivery process and the RAPID gated process, where applicable;
- ODI performance models, which provide companies with rewards for achieving stretching performance targets and compensate customers if performance is below performance targets. It determines the level of outcome delivery incentives payments that have been accrued by companies in each year of performance, based on the performance commitments set in the PR24 final determinations for each company;
- PCDs, which have been introduced in PR24. There are six models proposed to enable the reconciliation of PCDs, which will calculate the non-delivery PCDs and time incentive PCDs related adjustments for each company. These adjustments will be used to adjust the baseline

expenditure allowance for the purpose of cost sharing calculations. They will also be used to adjust the companies' revenues and RCV;

- real price effects ("**RPEs**"), which will address any difference between the forecast and outturn values of the independent indices used to apply RPEs in cost allowances. This will feed into the cost sharing reconciliation model;
- residential (household) retail, where the total revenue allowance is adjusted for actual customer numbers and under/over recovery is assessed and adjusted for at PR29;
- RFI, which provides financial incentives for companies to provide accurate forecasts, and ensures under-recovery and over-recovery is reconciled;
- tax reconciliation, which is a tax true-up mechanism, which will take account of any changes to corporation tax or capital allowance rates after the PR24 final determination;
- third party services, which have been introduced in PR24 and will reconcile allowed and actual expenditure on third-party services (price control), section 185 diversions (water only) and non-section 185 diversions costs. This will be performed at PR29;
- Wastewater Enhancement Uncertainty Mechanisms, which have been introduced in PR24 and will adjust allowed revenues to reflect additional schemes or investigations as part of the Wastewater Enhancement Uncertainty Mechanisms for Storm Overflows, Investigations and Nutrient Balancing. This will be performed at PR29; and
- water trading incentive, which calculates PR24 water trading incentives for qualifying trades starting in the 2025-30 period.

Company specific reconciliations for YW:

- BR-Mex, which will apply only to the incumbent companies operating wholly or mainly in England. It is designed to incentivise water companies to provide excellent customer service to businesses (non-household customers) and support better retail market functioning. It captures both the experiences of end business customers and the experiences of business retailers as intermediate customers.

Environmental Regulation

The water industry is subject to numerous regulatory requirements concerning human health and safety and the protection of the environment. Non-compliance with many of these requirements may potentially constitute a criminal offence.

Principal UK Law

The application of sentencing guidelines for environmental offences by the courts has led to increases in record fines for large utility companies (including water companies) in the UK over recent years. This has in turn driven an increased focus on compliance with environmental laws and environmental permit conditions. It has also increased focus on environmental compliance issues at a senior management and boardroom level.

In addition, the Regulatory Enforcement and Sanctions Act 2008 (as amended) allows the Secretary of State to confer powers on the regulators to impose civil penalties (such as fixed monetary penalties) on businesses as an alternative to criminal prosecution in relation to a number of environmental offences. Through the Environmental Civil Sanctions (England) Order 2010 the Secretary of State conferred these powers on the EA. One particularly common sanction is the use of enforcement undertakings, which is a voluntary agreement offered by entities which have committed an

environmental offence. The undertaking contains measures to restore any environmental harm done as well as steps to ensure future compliance, and enable offenders to avoid court action (with the agreement of the EA) if they voluntarily admit certain environmental offences. Whilst adverse publicity related to court hearings may therefore be lessened, the EA will be required to publish details of any sanctions imposed.

The EA aims to protect and enhance the environment as a whole and contribute towards sustainable development. As part of its remit, and in line with the new requirements introduced by the Environment Act concerning storm overflows and sewerage discharges (see "*Storm overflows*") the EA's expectation is that water companies continue to reduce pollution incidents from sewer systems and sewage treatment works. The EA requested in 2020 that all water companies develop, publish and implement Pollution Incident Reduction Plans ("**PIRPs**"). YWS first published its plan in March 2020 and published an updated plan in August 2022, which can be found at https://www.yorkshirewater.com/media/4boj2gek/yw_pollution-incident-reduction-plan.pdf (but which does not form part of this Prospectus). Despite the requirements for all water companies to have PIRPs, in the 2022 "*Water and sewerage companies in England: environmental performance report*" published on 12 July 2023, the EA noted that the number of pollution incidents (from sewerage and water supply assets) had worsened from 2021 to 2022 and the early unconfirmed data for 2023 appeared to show no improvement. The EA also stated that it will continue to track progress on water company PIRPs making sure they contain effective actions so that pollution incident targets are achieved.

Throughout spring 2024, YWS undertook a comprehensive, data-led review of pollution performance to form new initiatives to drive improvements. These new initiatives form part of YWS' latest PIRP, published March 2025, which can be found at https://www.yorkshirewater.com/media/33qe1xwx/47970_yw_pollution_incident_reduction_plan_24_digi_web.pdf. YWS agreed with the EA to report on progress of the current initiatives.

In line with the EA's push to improve day-to-day performance and meet progressively higher standards of environmental protection, it announced in November 2021 in conjunction with Ofwat a major investigation into water and sewage companies across the industry. The EA is now investigating more than 2,200 water and sewerage companies at wastewater treatment works that discharge into English waters. The EA's initial assessment indicates that there may have been widespread and serious non-compliance with the relevant regulations by all water and sewerage companies.

In March and June 2022 Ofwat announced that it was opening enforcement cases into six water and wastewater companies as part of its ongoing investigation, one of which is YWS.

On 6 August 2024, Ofwat published the Ofwat Notice from its investigation into Yorkshire Water's management of wastewater treatment works and wider sewer networks including the operation of storm overflows. As outlined in the Ofwat Notice, Ofwat have, subject to consultation responses, concluded that Yorkshire Water had contravened Regulation 4(4)(a) of the UWWTR by failing to ensure that its wastewater treatment works are designed, constructed, operated and maintained to ensure sufficient performance under all normal local climatic conditions, in addition to Regulation 4(2) and Schedule 2 of the UWWTR. Ofwat further found that YWS had contravened section 94 of the WIA as it had failed to provide a system of sewers and to cleanse and maintain those sewers so as to ensure that its catchment area is effectually drained and that it has not made proper provision for the emptying of those sewers by means of wastewater treatment works. Additionally, Ofwat concluded that YWS had failed to comply with Condition P of its Instrument of Appointment since at least 2017.

YWS concluded this investigation in March 2025 by agreeing to a set of formal undertakings requiring redress to be made in the total sum of £40 million and steps to be taken to secure compliance with

UWWTR, section 94 of the WIA and Condition P of its Instrument of Appointment. A financial penalty was not imposed.

In July 2024, the Supreme Court handed down its judgment in *The Manchester Ship Canal Company Ltd (Appellant) v United Utilities Water Ltd (Respondent) No 2* [2024] UKSC 22, finding that the Water Industry Act 1991 does not prevent the Appellant canal company from bringing a claim in private nuisance or trespass when the canal is polluted by discharges of foul water from the outfalls of the Respondent, the relevant water company (United Utilities), even if there has been no negligence or deliberate misconduct on the water company's part. YWS was not involved in these proceedings and there has not been any increase in numbers of claims against water companies or impact the regulatory system they are subject to.

The EA can take enforcement action against companies, including fines and prosecutions. In particular, the EA can impose variable monetary penalties ("**VMPs**") which are discretionary civil fines that may be used as an alternative to prosecution where there are strong mitigating factors, or where the criminal standard is not met. Changes to VMPs came into force on 1 December 2023 by statutory instruments amending the Environmental Permitting Regime and the Environmental Civil Sanctions (England) Order 2010. As of 11 December 2023, the EA can now impose potentially significant financial penalties on companies that pollute the environment without bringing criminal proceedings. The previous £250,000 cap on VMPs under the Environmental Civil Sanctions (England) Order 2010 has been removed, and the range of offences for which VMPs can be imposed has been expanded.

If Ofwat finds a company has breached an obligation that Ofwat is responsible for enforcing, it has a duty, subject to certain exceptions, to issue an enforcement order to require the company to take steps to secure its compliance. If Ofwat ultimately makes a finding of breach sufficient to warrant a fine, as part of its enforcement powers, Ofwat can impose a financial penalty on companies, the value of which can be up to 10 per cent. of relevant turnover. Where appropriate, Ofwat may decide not to issue an enforcement order, or decide to impose a reduced or no financial penalty at the conclusion of an investigation.

Following the implementation of the sentencing council guidelines for environmental offences in July 2014, in cases involving the highest levels of culpability (whether assessed as low/no culpability, negligent, reckless or deliberate) and harm, the courts have the power to impose significant fines per incident. The guidelines do not limit the fine that can be imposed and the levels of fines for Very Large Organisations (as defined in the sentencing guidelines) can be difficult to predict. The Court of Appeal has ruled that a fine matching 100 per cent. of an organisation's pre-tax net profit may not be considered manifestly excessive.

As a result of these investigations and to ensure compliance with the regulations, companies, including YWS, may need to incur material capital expenditure in updating and improving facilities to improve future performance and/or as a result of the regulatory action. For example, this could mean that more investment by YWS is needed in infrastructure to increase storm capacity and/or reduce the flows coming into the networks and/or treatment works. There is a risk that such expenditure will not be covered by the Periodic Review process and will require significant separate investment. See "*Risk Factors*" and in particular, "*Environmental Risks*" and "*Litigation – Impact of Ofwat adopting tighter regulatory measures to achieve financial resilience, Environmental regulatory and statutory obligations*".

Storm Overflows

Aligned with the EA and Ofwat investigation, the Environment Act has introduced new obligations on both the Secretary of State and sewerage undertakers in respect of storm overflows. Sewerage undertakers will be required to report annually by 1 April on their storm overflows, providing a range

of data on the location of the overflow, the watercourse into which the overflow discharges, the frequency and duration of the discharges, the volume of each discharge and information on any investigations that have taken place or improvement works undertaken in relation to the storm overflow. The Secretary of State is subject to a requirement to prepare a plan for reducing discharges from storm overflows and the adverse impacts of those discharges and must also report annually on the progress made in implementing the plan.

Under the Environment Act, the government was required to publish, by 1 September 2022, a plan to reduce storm overflow spills and their adverse impact. This plan, the "Storm overflows discharge reduction plan", was published in August 2022, and was updated in September 2023. The plan sets water companies targets to reduce all storm overflows. As part of this plan, by 2035, water companies are required to improve all storm overflows discharging near every designated bathing water and improve 75 per cent. of overflows discharging into or near high priority sites. By 2045, water companies will have improved all remaining storm overflows discharging into or near "high priority sites". By 2050, no storm overflows will be permitted to operate outside of unusually heavy rainfall or to cause any adverse ecological harm. Failure of the water companies to meet these targets could result in fines or a requirement for them to return money to their customers.

Under the Environment Act, the UK government must produce a report in 2025 on implementation of the Plan and the effect of any progress. Subsequent reports will be published every five years. The government is clear that improving water quality is a priority and the use of storm overflows must be addressed. Therefore, the government has committed to review the targets in the Storm overflows discharge plan in 2027, ahead of the 2030-35 water company planning cycle (PR29) once new information, including from companies' business plans, is available. This will also feed into broader reporting mechanisms under the Environment Act, such as through the Environmental Improvement Plan, to monitor and assess how this and other actions are contributing to the broader recovery of river and water habitats. In its final determination for PR24, Ofwat confirmed its performance commitment levels and definitions for companies to achieve between 2025-30. The definition penalises companies that do not achieve stretching targets (spills per storm overflow) and also those that do not fully monitor storm overflows. Where a storm overflow is not monitored, or a monitor is not functioning correctly, Ofwat will assume that the overflow has spilled 100 times each year when calculating a company's performance against its performance commitments. The industry has secured significant investment allowances (c. £1.3 billion) to achieve the required improvements however these requirements will add costs to prepare and publish the additional reporting as well as a likely increase in investment and capital expenditure needed in order for sewerage undertakers to be in a position to report given the level of data required and to ensure compliance with the regulations. . See "*Risk Factors*" and in particular, "*Risk Factors – Risks relating to the Issuer – Litigation – Impact of Ofwat adopting tighter regulatory measures to achieve financial resilience, Environmental regulatory and statutory obligations*".

Combined Sewer Overflows (CSOs)

Sewage systems are designed to cope with the combined flow of sewage and storm water up to a particular level, which is consented to by the EA (the "**Consented Discharge**"). Where, during heavy rains, the level of sewage and storm water exceeds the level that the sewerage systems are designed to cope with, the Consented Discharge is allowed to flow into the relevant watercourse in order to prevent flooding in the surrounding area. The drainage systems vary considerably in their age, design, and hydraulic performance and the EA regulate and monitor the impact of these discharges on the aquatic environment. Any storm overflows that are considered unsatisfactory, are having an adverse environmental impact or result in discharges in circumstances except those outside normal climate conditions may be subject to future improvements through operational, asset maintenance or quality investment programmes.

It is a requirement of the Urban Waste Water Treatment Directive (91/271/EEC) (the "**UWWTD**") that Member States limit the pollution of receiving waters by untreated sewage discharge. To meet this requirement, the EA uses performance criteria to assess the impact of CSOs and to determine whether they should be regarded as "satisfactory" or "unsatisfactory". CSOs will be regarded as unsatisfactory if, for example, they cause a breach of water quality standards or other EC Directives, they cause or significantly contribute to a deterioration in river chemical or biological quality/class, or they cause a significant visual or aesthetic impact due to solids or sewage fungus and have a history of justified public complaint. This requirement for assessment and improvement of performance has been augmented by the Storm Overflow Discharge Reduction Plan (2022) which sets targets for spill frequency.

Sewer Flooding

When a "combined" sewerage system, which carries both sewage and surface water run-off, reaches its capacity during heavy rainfall, a mixture of surface run-off and sewage overflows into rivers or out of external or internal drains. Section 94 of the WIA places a duty on water companies to ensure its area is properly drained via an adequate sewerage system. This duty is enforceable by the Secretary of State or Ofwat who, under section 18 of the WIA, may make an enforcement order securing compliance. Householders can bring proceedings against the water company in respect of its failure to comply with such an enforcement order. However, where such an order has not been made, the only remedy available to such householders is to request that the Secretary of State or Ofwat makes an order and, if one is not forthcoming, to pursue judicial review proceedings against either the Secretary of State or Ofwat on the grounds of their failure to act. Householders do not have the right directly to enforce section 94 against water companies.

Environmental Permitting Regime

The Environmental Permitting Regime came into force on 1 January 2017. The Environmental Permitting Regime states that operators require an environmental permit in order to operate a regulated facility or cause or knowingly permit a water discharge activity or groundwater activity.

Under the Environmental Permitting Regime, it is a criminal offence for a person to cause or knowingly permit any poisonous, noxious or polluting matter or trade or sewage effluent to enter controlled waters (including most rivers and other inland and coastal waters) other than in accordance with the terms of an environmental permit. The principal prosecuting body is the EA. The terms of the environmental permit will depend largely on the type of discharge and when the permit was granted. The EA has discretion as to the terms on which environmental permits are granted or existing are altered. The disposal of wastewater sludge from wastewater treatment works is also controlled.

The EA ran a consultation from 29 January 2024 to 11 March 2024 on changes to environmental permitting charges for water discharge activities and groundwater activities. The consultation proposed, amongst other things, significant increases to annual subsistence charges for discharges of sewage effluent by sewerage undertakers and intermittent discharges of storm sewage and emergency sewage discharges by sewerage undertakers. The EA published its response to the consultation on 24 May 2024, confirming that the proposals would be implemented. The new charges came into effect on 1 June 2024.

Discharge into Controlled Waters

If Regulated Companies want to discharge polluting matter into controlled waters, whether from continuous or intermittent (Storm/CSOs) outfalls, they need to hold an environmental permit. Since 1 April 2010, applications are made under the Environmental Permitting Regime, as amended (although consents under the WIA may be required for works carried out at reservoirs, wells or boreholes where discharges are made through pipes of a certain size). The EA has the power to grant or refuse permits,

to impose conditions in, modify, vary or revoke such permits. Permit conditions may control the quantity of a discharge or the concentrations of particular substances in it or impose broader controls on the nature of a discharge.

Abstraction Licensing

YWS is dependent on abstraction licences issued by the EA to enable it to abstract water from surface and groundwater. Under the Water Resources Act 1991, as amended by subsequent legislation including the United Kingdom Environment Act 1995, water abstractions must be carried out in accordance with a licence granted by the EA. It is a criminal offence to abstract water without a licence or in breach of the conditions of an abstraction licence. The maximum penalty is an unlimited fine. Existing abstraction licences may be revoked or varied where the Secretary of State believes that revocation or variation is necessary to protect any waters or underground strata, any flora and fauna dependent on them, from serious damage and such variations and revocations can be made without compensation being payable. This position will change in England on 1 January 2028, when permanent licences may be varied or revoked in England without paying compensation, if it is necessary to protect the environment.

Water shortages

This licensing regime was imposed by the EA to mitigate environmental damage or to achieve sustainable levels of abstraction. Costs may be incurred by YWS in implementing replacement sources and abstraction charges could be increased by the EA to cover compensation payments made to other abstractors whose licences are revoked or varied to alleviate environmental impact, each of which could have a material adverse impact on the business, financial condition or operational performance of YWS.

Over AMP8, YWS's "water available for use" is forecast to fall by 75 Ml/d principally due to changes in levels of service (the company moves from a 1-in-100 year to a 1-in-200 year level of service for severe restrictions, which reduces water availability) and climate change impacts on water availability. This reduction includes the benefit of a number of new supply options by which YWS is increasing its water for available use by 21.3 Ml/d by better utilising existing abstraction licences or by apply for new abstraction licences. These sustainability reductions are part of YWS's obligation to meet the Water Framework Directive (2000/60/EC) (the "**Water Framework Directive**" or the "**WFD**") requirements for heavily modified water bodies and YWS works closely with the EA to manage and mitigate its risk exposure to this.

Water Abstraction Reform

The Government has raised concerns about the UK's current approach to managing water abstraction, as seen in the Government's "25 Year Environment Plan" which placed an emphasis on addressing "unsustainable abstraction". Specifically, it has raised concerns about older abstraction licences which allow abstraction which may cause damage to the environment, the fact that the current regulatory regime is not flexible enough to cope with increasing demand and pressures from climate change, and the outdated, paper-based nature of the abstraction service. In January 2016, DEFRA published the Government response to its consultations on water abstraction reform. The proposals, which will not now be implemented in full until 2030 at the earliest, include the incorporation of the water abstraction regime into the Environmental Permitting Regime. The headline objectives of these reforms are to:

(a) improve flexibility to address short-term water availability issues; and

(b) improve long-term sustainable management supporting growth and investment.

On 29 May 2018, DEFRA published its water abstraction plan which sets out its approach to managing water abstraction going forwards. The plan is centred around three key pillars:

(a) making full use of existing regulatory powers to address unsustainable abstraction. Specifically, the EA will use its powers to amend abstraction licences, commencing with changes to those licences which have the greatest impact. The aim is to be in a position to ensure 90 per cent. of surface water bodies and 75 per cent. of groundwater bodies achieve DEFRA's water abstraction sustainability standards by 2021;

(b) develop a stronger catchment focus, which will ensure sufficient protection from unsustainable abstraction in key catchment areas; and

(c) supporting reform to water abstraction regulation by modernising the abstraction system.

A 12-week consultation commenced by DEFRA in September 2021 on this move closed in December 2021. DEFRA has still not published its response to the consultation.

Sewerage Sludge

The recycling of sewerage sludge by using it on agricultural land as a fertiliser and soil conditioner is recognised by the European Parliament and Commission as the Best Practicable Environmental Option. Recycling sewerage sludge must be done in accordance with the Sludge (Use in Agriculture) Regulations 1989 (as amended). The use of sludge in agriculture is subject to market forces and legislation. Significant market or legislative changes could cause water companies to incur material expenditure in relation to sewerage sludge and Ofwat may view such legislative changes as potentially representing "Relevant Changes of Circumstance" in relation to the licences of water companies.

Trade Effluent Discharge

Regulated Companies are responsible under the WIA for regulating discharges of trade effluent into their sewers. Industrial and trade sources of wastewater to sewers arise from a wide range of industries, such as food manufacturers, car washes and laundries. Regulated Companies regulate these discharges to protect their operations and the environment.

It is an offence under the WIA to discharge trade effluent from trade premises without a consent from, or an agreement with, the relevant Regulated Company, or to fail to comply with the conditions in a consent. Under section 118 of the WIA, an owner or occupier of premises who wishes to discharge trade effluent into public sewers must apply to the relevant Regulated Company for consent to do so. In considering whether or not to grant such a consent, such Regulated Company will usually have regard to the effect that receiving the effluent will have on the performance of its wastewater treatment works and associated discharges. Such consent may be subject to conditions imposed by the Regulated Company. These conditions can stipulate treatment to be undertaken to minimise the polluting effects of the discharge, as well as charges to be paid in respect of the trade effluent discharge. Under the Trade Effluents (Prescribed Processes and Substances) Regulations 1989 (as amended), when trade effluent contains prescribed substances, or more than a prescribed quantity of such substances, or derives from a stipulated process (that is a "**special category effluent**"), the relevant Regulated Company must refer to EA any application to make such a discharge. EA must then determine whether, and if so upon what conditions, the Regulated Company may accept the discharge. Any person aggrieved by the refusal of the Regulated Company to give consent or by conditions imposed in a consent can appeal to Ofwat. The Regulated Company may review the terms of any consent from time to time and vary those terms by notice. However, this power is subject to restrictions.

A Regulated Company may enter into an agreement with the owner or occupier of trade premises for the reception and disposal of trade effluent, instead of granting a consent. If the trade effluent which is to be the subject of an agreement is special category effluent, the Regulated Company must refer to

the EA the question of whether the relevant operations should be prohibited or made subject to conditions. The Regulated Company cannot enter into any agreement regarding special category effluent until the EA serves notice on the Regulated Company of its determination in this regard.

Water Resources Planning

The Water Act 2003 amended the WIA to provide that Regulated Companies are under a duty to further water conservation when they formulate or consider any proposal relating to their functions and has placed water resources management plans on a statutory footing: Regulated Companies have a duty to produce Water Resources Management Plans, publish and consult upon them. These plans set out how Regulated Companies will manage and develop water resources so as to be able, and continue to be able, to meet its water supply duties under the WIA. It must address, amongst other things, the Regulated Company's estimate of the water it will need to meet its duties, and the measures it intends to take to manage and develop resources. The planning period is 25 years. The plan is developed following guidance from the EA and is reviewed and revised every 5 years.. It builds on YWS's previous plan and incorporates new information and the latest methodologies.

Climate Change

As a result of water and wastewater treatment processes being energy intensive, Regulated Companies are significant energy users and their activities constitute a significant environmental impact. W Regulated Companies are subject to the climate change levy. As large consumers of electricity, Regulated Companies were affected by the U.K. Carbon Reduction Commitment Energy Efficiency Scheme (the "**CRC**"). In its 2016 Budget, the Government confirmed that following its review of corporate taxation, it would abolish the CRC with effect from the 2018/2019 compliance year. The Streamlined Energy and Carbon Reporting Regulations require quoted companies, large UK-incorporated unquoted companies and limited liability partnerships to report in relation to their greenhouse gas emissions, including disclosure of their total UK energy use and actions taken to increase energy efficiency in the UK. Listed and large private companies in the UK are also required to annually make climate-related financial disclosures pursuant to amendments to the FCA's Listing Rules and the Companies Act.

Emissions Trading Schemes

YWS is a large consumer of energy and so likely to incur increased costs directly and indirectly by carbon trading schemes. The UK left the EU Emissions Trading Scheme ("**ETS**") in 2021 following the June 2016 referendum in favour of the UK leaving the EU and the replacement UK ETS began operating in January 2021. Energy transition costs will continue to be part of the cost of electricity and with the Government's commitment to achieve its goal of becoming a net zero carbon emission country by 2050, these costs are unlikely to decline.

Contaminated Land

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

or fauna and liability for contamination may also rest with a water company where the contamination emanating from its land arose as a result of the activities of one of its statutory predecessors. In practice, remediation of contaminated land is most likely to be triggered on the cessation of regulated activities or the redevelopment of land.

Hazardous Substances

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

Asbestos

The Control of Asbestos Regulations 2012 impose a duty on those who own or control commercial premises to carry out detailed assessments for the presence of asbestos, record its condition and proactively manage the associated risks.

Principal EU Law and UK's departure from the EU

The activities of Regulated Companies in the UK are affected by the requirements of legislation which originally stemmed from EU Directives and now stem from UK laws and EU Directives. Such EU Directives include the Water Framework Directive, the UWWTD and the IED which are discussed below. The UK left the EU on 31 January 2020 ("**exit day**") and is no longer an EU member state. The UK-EU withdrawal agreement came into force on exit day and provided for a transition period until 31 December 2020. At the end of the transition period a new body of retained EU law was created under the EUWA. Generally, EUWA: (i) retained EU-derived domestic legislation (including UK legislation that implements EU directives); and (ii) saved and converted into UK law most directly applicable EU legislation. The body of retained EU law will continue to operate in UK law unless and until references to EU legislation are removed and/or replaced with references to UK legislation and the transfer of powers from EU institutions to UK institutions occurs.

The new principal institution is the OEP, an independent statutory body. The OEP oversees compliance with environmental law and is able to bring legal proceedings against water companies, government and public authorities if necessary. The OEP also scrutinises and advises the Government. Environmental principles will guide future government policy.

Water Framework Directive (WFD)

The Water Framework Directive rationalised existing EU water legislation to provide a framework for the protection and improvement of ground, inland and coastal waters and to promote sustainable water consumption. It seeks to halt deterioration in the status of EU "water bodies" and achieve good status for Europe's rivers, lakes and groundwater. The Water Framework Directive requires, amongst other things, that Member States produce river basin management plans. These plans were required to be produced by December 2009 and updated by December 2015 and every 6 years thereafter. The plans (River Basin Management Plans) include lists of measures that Regulated Companies and other parties and sectors need to undertake to protect and improve the quality of the water environment. England's most recent river basin management plan was published on 22 October 2022 (and minor amendments have been made as recently as 17 January 2024).

To comply with the WFD, the UK and European Union Member States should have ensured that all their waters achieve at least "good status" or "good ecological potential" by 2015, or, on the grounds that achieving a "good status" is either disproportionately costly or technically unfeasible, set out alternative standards and or a timetable for the achievement of these by no later than 2027. In 2019,

less than 20 per cent. of water bodies achieved the good status. The next comprehensive update of classifications in water bodies will occur in 2025.

The principal implementing regulations in the UK for the Water Framework Directive are the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 and the Water Framework Directive (Standards and Classification) Directions (England and Wales) 2015. The EA is responsible under these regulations for monitoring and reporting on the objectives of the Water Framework Directive on behalf of the Government. The EA works with Ofwat, local government, non-governmental organisations (NGOs) and a wide range of other stakeholders including local businesses, water companies, industry and farmers in order to achieve the objectives under the Water Framework Directive.

There are 12 river basin districts ("**RBDs**") in England, Scotland and Wales. The EA manages the 7 RBDs in England. An RBD covers an entire river system, including river, lake, groundwater, estuarine and coastal water bodies. All of YWS's activities fall within the Humber Basin and the Humber River Basin Management Plan, (https://www.gov.uk/guidance/humber-river-basin-district-river-management-plan-updated-2022).

Specific measures to deliver the Water Framework Directive are agreed with the EA through the Periodic Review process and the River Basin Management Plans.

The YWS Periodic Review process for 2020-25 included a substantial Water Framework Directive programme for both delivery schemes and investigation in order to understand YWS's impact to inform future price reviews. Schemes were progressed where there was a need clearly attributed to YWS and, where there were effective, technically feasible and cost beneficial solutions. The programme is known as the WINEP. The primary role of the WINEP is to inform water companies on the actions they need to take to meet statutory environmental obligations, non-statutory environmental requirements or delivery against a water company's statutory functions. The WINEP is developed and agreed with the Environment Agency and Natural England.

In 2020, DEFRA, the EA and Ofwat led a review of the WINEP ahead of PR24 to ensure the next round of WINEP actions achieves greater environmental benefits for every pound invested by water companies by using a more outcomes-based approach. In 2022, the EA also developed and published a WINEP methodology process document which is intended to help Regulated Companies to plan, execute and report on the environmental improvement measures they are required to undertake. This EA publication along with a number of other related publications together also aim to help Regulated Companies to plan for the next phase of the WINEP cycle (PR24).

Industrial Emissions Directive (IED) and H4 guidance

The IED came into force on 6 January 2011 and has been implemented through the Environmental Permitting Regime in England and Wales. Under the IED, activities which lead to the disposal and/or recovery of non-hazardous waste must be permitted, unless these activities are covered by the UWWTD (known as the UWWTD exemption). In 2014 the EA set out an interim position statement that deferred the need for water companies to submit permit applications for sewage sludge digestion at sewage treatment works. However, in July 2019 the EA confirmed that they would be implementing the aspect of the IED that requires a permit for biological treatment of sludge above IED thresholds. YWS has 12 sites which are required to have IED permits. 6 sites permitted to this level and the remaining 6 sites are either in discussion with the EA or are in the permitting queue and are expected to be discussed before December 2024

The EA's view is that anaerobic digestion plants with a capacity of less than 100 tonnes of waste per day at wastewater treatment works are exempt from the IED. However, if this approach changed then

it is probable that anaerobic digestion plants would require a bespoke environmental permit. This would lead to additional requirements and increased cost.

Even if anaerobic digestion plants are not subject to elevated requirements under the IED, it is possible that they could be regulated as a waste operation. Although sewage treatment is excluded, anaerobic digestion may be viewed by the EA as a separate "waste" activity and therefore captured under general waste legislation, again requiring a bespoke permit. The Environmental Permitting Regime: H4 odour management guidance (the "**H4 guidance**") introduces in any event more stringent odour requirements and management plans for existing sites that have environmental permits. Under the H4 guidance, operators of sites with environmental permits are required to assess the level of odour emanating from their sites based on their frequency, intensity, duration and offensiveness, as well as the sensitivity of receptors. On the basis of such assessment, an operator must implement appropriate control measures to minimise the odour and suggested control measures are set out in the H4 guidance. If the odour levels are unreasonable (despite having used appropriate measures), further action may be required or the operator may be required to cease operations.

Groundwater Directive

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

Bathing Waters Directive

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

Water Quality Directive

The Water Supply (Water Quality) Regulations 2018 ("**Water Quality Regulations**") implement the EU Directive on the Quality of Water intended for Human Consumption (98/83/EC) (known as the Drinking Water Directive) and set standards for water intended for drinking, food preparation or other domestic purposes. The Water Quality Regulations also include a requirement for wider catchment risk assessments and a Drinking Water Safety Plan approach to be adopted to safeguard the quality of drinking water supplies.

The relevant regulator for the purposes of the Water Quality Regulations is the DWI. The DWI is part of DEFRA and acts as a technical assessor on behalf of the Secretary of State in respect of the quality of drinking water supplies. The DWI carries out technical audits of each water undertaker and licensee inputting water into an undertaker's network; this includes an assessment of the quality of water

supplied, arrangements for sampling and analysis, and progress made in delivering schemes to improve water quality. It can also take enforcement action in the event that a water undertaker is in contravention of regulatory requirements concerning the "wholesomeness" of water supplies. Water supplied for domestic purposes or food production must be wholesome at the time of supply. "Wholesomeness" is defined by reference to standards and other requirements set out in the Water Quality Regulations.

It is a criminal offence for a Regulated Company to supply water that is unfit for human consumption. Court proceedings can be brought by the DWI in the name of the Secretary of State or the Director of Public Prosecutions for the offence of supplying water "unfit for human consumption" (for example if discoloured or foul tasting water is supplied to customers) or for the offence of supplying water that is inadequately treated or disinfected, unless the breach is trivial or unlikely to recur, or the relevant Regulated Company has taken immediate remedial action, or has submitted a legally binding programme of work in the form of a Section 19 Undertaking to achieve compliance within an acceptable timescale or agrees to a notice served under Regulation 28(4) of the Water Quality Regulations (the "**Regulation 28(4) Notice**"). If there has been such a breach and the Regulated Company does not give a Section 19 Undertaking or fails to comply with its terms, or fails to comply with the terms of a Regulation 28(4) Notice, the DWI may make a provisional or final enforcement order to secure compliance.

EU Floods Directive

Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks ("**EU Floods Directive**") was adopted by the European Council and entered into force on 26 November 2007. The aim of the EU Floods Directive was to establish a framework for the assessment and management of flood risks, aiming to reduce the adverse consequences to human health, the environment, cultural heritage and economic activity. The EU Floods Directive required Member States to firstly carry out a preliminary flood risk assessment by 22 December 2011, which included considering historic floods and where similar future events might be envisaged. Based on such assessment, Member States were then required to identify each river basin district (or similar) for which potential significant flood risks exist or might be considered likely to exist. For such areas, Member States were then required to draw up flood risk maps by 22 December 2013 and establish flood risk management plans focused on prevention, protection and preparedness by 2015. The EU Floods Directive applies to inland waters as well as all coastal waters across the whole territory of the EU. The EU Floods Directive shall be carried out in coordination with the WFD, notably by flood risk management plans and river basin management plans being coordinated, and through coordination of the public participation procedures in the preparation of these plans. All assessments, maps and plans prepared shall be made available to the public. In March 2016, the EA published seven flood risk management plans for the seven river basin districts solely in England. Flood Risk Management Plans must be reviewed by the EA and lead local flood authorities every 6 years. The latest collection of Flood Risk Management Plans have been published for 2021 to 2027.

The FWM Act implements the EU Floods Directive into UK law. The key requirements within the FWM Act are the requirement for the EA to create a National Flood and Coastal Erosion Risk Management Strategy, which several organisations must follow; the requirement for leading local flood authorities to create local flood risk management strategies; and a requirement for relevant authorities to co-operate in the exercise of their flood and coastal risk management functions. The FWM Act included several amendments to other legislation, which introduced, amongst other things, a revised approach to reservoir management; changes to the arrangements that would apply should a water company go into administration; an increased ability for water companies to control non-essential uses of water, such as the use of hosepipes and an ability for water companies to offer concessions to community groups for surface water drainage charges.

Priority Substances Directive

The WFD also has "subsidiary Directives" of which the one most likely to drive substantial investment is that regarding Environmental Quality Standards (2008/105/EC, usually referred to as the Priority Substances Directive). It was amended by Directive 2013/39/EU to include additional parameters and continues to represent a compliance (and hence investment) risk in that full compliance might only be achieved by the installation of the equivalent of drinking water treatment at the sewage treatment works. Under the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017, the Secretary of State and the EA (amongst others) must exercise their relevant functions to ensure compliance with the Environmental Quality Standards laid down in the Priority Substances Directive (as amended).

Habitats and Birds

The Conservation of Habitats and Species Regulations 2017 (the "**2017 Regulations**") transposed the provisions of Directive 92/43/EEC on the conservation of natural habitats and wild flora and fauna (the "**Habitats Directive**") and Directive 2009/147/EC on the conservation of wild birds (the "**Birds Directive**") into English and Welsh law, to establish a network of areas protected by designation across the United Kingdom to conserve endangered habitats classified as special protection areas under the Birds Directive and Special Areas of Conservation under the Habitats Directive. Once a site is designated, the United Kingdom must take steps to avoid the deterioration of habitats and disturbance of species. The 2017 Regulations were updated by the Habitats and Species (Amendment) (EU Exit) Regulations 2019 after Brexit to provide for the designation and protection of the National Site Network, the protection of certain species and the adaptation of planning and other controls for the protection of the National Site Network.

The designation of areas as part of the National Site Network may negatively impact upon a water company's plans for future sites or operations. This risk is significantly increased by the effects of climate change, such as the increasing risk of drought.

Competition in the Water Industry

General

Each Regulated Company currently effectively holds a geographic monopoly within its appointed area for the provision of water operations and sewerage services although there is some limited competition in respect of its retail activities, there is competition in respect of all non-household customers (except in Wales). Ofwat has stated that it will use its powers under the Competition Act to investigate and prohibit anti-competitive practices and abuses of a dominant position to ensure a level playing field in the industry. These powers include the power to impose penalties of up to 10 per cent. of worldwide group-wide turnover for the business year preceding the finding of the infringement. Any agreement which infringes the Competition Act may be void and unenforceable. Breaches of the Competition Act may also give rise to claims for damages from third parties.

Ofwat has a duty to consider whether the exercise of its powers under the Competition Act is more appropriate before using its powers under the WIA to promote competition.

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

The current main methods for introducing competition are:

(i) since 1 April 2017, all non-household customers in England may choose their water and/or sewerage supplier;

(ii) Regulated Companies publish a wholesale charges scheme detailing charges to be levied on retailers, who then compete for customers' business based on price and other terms;

(iii) NAVs - where one company can replace another as the statutory undertaker for water and/or sewerage services in a specified geographical area within the other Regulated Company's appointed territory. A NAV can be granted to a company seeking to provide water and/or sewerage services on an unserved site, or in respect of a site with water and/or sewerage services within an existing Regulated Company's area where at least 50 Megalitres of water are supplied or likely to be supplied to particular premises wholly or mainly in England in any 12 month period or where the incumbent Regulated Company agrees to transfer part of its service area to a different company. The NAV mechanism continues alongside the regime for licensing new entrants under the Water Act 2014;

(iv) facilitating developers, or their contractors, to provide new water mains and service pipes instead of asking Regulated Companies to do the work ("**self-lay**"). The Water Act 2003 introduced a statutory framework for self-lay (see below);

(v) the Water Act 2003 introduced a statutory framework to allow water supply licensees to introduce water into the undertaker's supply system to supply water to its customer's eligible premises (also known as common carriage). All Regulated Companies maintain network access codes[1] which set out the conditions, including indicative access prices, under which licensees may introduce water into their networks. A water supply licensee may challenge the terms of access, in particular access prices to the Regulated Company's network under the Competition Act;

(vi) cross-border supplies (raw/treated water and sewage/bio-resource) where a customer in an area adjacent to a neighbouring Regulated Company's service area can connect to another Regulated Company's network and receive a supply;

(vii) private suppliers or private sewers including on-site water and effluent treatment; and

(viii) a market operator ("**MOSL**") for the non-household retail market in England that processes transactions, facilitate new companies to enter the market and ensure Water companies are held to account for their performance. MOSL administers a code with retailers, wholesalers, customer's and stakeholders that modify identify – and implement – ways to improve the market;

(ix) eligible customers are also able to choose to self-supply their own premises. The customer buys water supply and wastewater services from the water company and provides their own retail services;

(x) Ofwat has concurrent powers with the CMA to apply UK competition law on anti-competitive practices and abuses of a dominant position to ensure a level playing field in the industry. In March 2017, Ofwat published guidance on its approach to applying the Competition Act and the corresponding provisions in Articles 101 and 102 of the Treaty on the Functioning of the European Union in the water and wastewater sector in England and Wales; and

(xi) from 2020, emerging markets in water resources, bio-resources, leakage detection and demand management.

[1] From 1 April 2017 onwards, there appears to be a new "Condition S", which removed the current obligations on companies to have an access code in relation to the retail water supply market, but retains the current obligations to have an access code in relation to the wholesale water supply market: https://www.ofwat.gov.uk/wp-content/uploads/2017/04/Notice-of-Reasons-Condition-S-mods.pdf

Water Act 2014

The Water Act 2014 aims to implement legislative changes to strengthen the water sector's ability to respond to the challenges of a growing population. It also aims to offer consumers more choice by enabling them to easily switch water and sewerage suppliers through the removal of existing regulatory barriers for new entrants to the market.

The Water Act 2014 is intended to modernise Ofwat's regulatory powers to allow it to continue to regulate the industry in the interests of consumers and will extend the scope of the Environmental Permitting Regime (overseen by the EA) to include water abstraction and impounding licences, and to align the frequency of drought planning to a five year cycle so it aligns with other water planning cycles.

The Water Act 2014 further includes provisions for, among other things:

(i) facilitating bulk supply agreements and mains connection agreements, by revising the rules relating to bulk charges imposed by water undertakers;

(ii) modernising Ofwat's regulatory powers to allow it to continue to regulate the industry in the interests of consumers and extending the scope of the EA's Environmental Permitting Regime to include water abstraction and impounding licences and to align the frequency of drought planning to a five year cycle so it aligns with other water planning cycles;

(iii) expanding the water supply licensing regime to introduce sewerage licences and wholesale (non-retail) supply licences, and to facilitate the creation of a cross-border retail market between England & Wales and Scotland; varying some disincentives to water company mergers;

(iv) introducing changes to the general regulation of the water industry, e.g., providing for a new statutory "resilience objective" of Ofwat – "…to secure that water and sewerage undertakers take steps for the purpose of enabling them to meet, in the long term, the need for the supply of water and the provision of sewerage services to consumers, including by promoting appropriate long-term planning and investment by relevant undertakers…";

(v) enabling the Secretary of State to pass regulations setting out standards of performance for water companies and for the payment of compensation to customers where they fail to meet these standards;

(vi) allowing penalties to be imposed on water companies for licence breaches for 5 years (rather than 12 months) after the breach;

(vii) allowing Ofwat to amend water companies' licence conditions to reflect the reforms in the Water Act 2014 (subject to consultation with affected water companies and the Secretary of State); and

(viii) reforming the special water merger regime by introducing exceptions to the obligation on the CMA to refer water mergers to a second phase investigation and enabling the CMA to accept undertakings in lieu of a reference.

The Competition Act

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

The Chapter I prohibition prohibits agreements between undertakings which may affect trade within the United Kingdom and which have as their object or effect the prevention, restriction or distortion

of competition within the United Kingdom. The Chapter II prohibition prohibits the abuse of a dominant position which may affect trade within the United Kingdom.

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

Merger Regime

The CMA has a duty to refer for a second phase investigation completed mergers or anticipated mergers between two or more water enterprises where the value of the turnover of the water enterprise being taken over, and the value of the turnover of each of the water enterprises belonging to the person making the takeover, are greater than £10 million, unless the CMA believes that:

- for anticipated mergers, the arrangements are not sufficiently far advanced or not sufficiently likely to justify a reference;
- the water merger has not prejudiced, or is not likely to prejudice, Ofwat's ability in carrying out its functions to use comparative regulation; or
- the water merger has prejudiced, or is likely to prejudice, Ofwat's ability to make comparisons between water enterprises, but that this prejudice is outweighed by relevant customer benefits (RCBs) relating to the merger.

The relevant turnover for these purposes is limited to the provision of services as a water or water and sewerage company, i.e., the "regulated" turnover.

Before making a first phase decision, the CMA must consult with Ofwat. Where the CMA is under a duty to refer a water merger for a second phase investigation it may accept undertakings in lieu ("**UILs**") to remedy, mitigate or prevent the merger's prejudicial effect on Ofwat's ability to make comparisons between water enterprises. When forming a view on UILs, the CMA must consider the need to achieve as comprehensive a solution to that effect on Ofwat as is reasonable and practicable. Moreover, the CMA must request and consider Ofwat's opinion on the effect of the offered UILs.

Remedies imposed by the CMA may be structural (total or partial prohibition of a proposed merger; total or partial divestiture of the acquired water enterprise; or divestiture of another water company held by the acquiring company) or behavioural, such as amendments to a Regulated Company's licence (for instance regarding the provision of information) or a requirement to maintain separate management. In deciding on remedies, the CMA may have regard to any relevant customer benefits (in the form of lower prices, higher quality, greater choice or innovation) of the merger under consideration. The CMA takes the final decision on remedial action, and this decision can be appealed to the Competition Appeal Tribunal by any person sufficiently affected by the decision. Depending on the size of the parties involved, such mergers may require notification to the European Commission under the EU merger regime. In such circumstances, the CMA may still be able to investigate the effect of the merger, in order to protect the UK's legitimate national interests.

Furthermore, the Water Act 2014 also imposes a duty on the CMA to keep under review and advise the Secretary of State on both the £10 million threshold and the conditions under which the CMA must refer water mergers. In July 2017, one merger (Severn Trent Plc / Dee Valley Group plc) took place under this new regime with the remaining mergers of water companies having been reviewed by the CMA under the general merger regime. In June 2021, the CMA announced that it was opening an investigation into the completed acquisition by Pennon Group plc of Bristol Water Holdings UK

Limited. The investigation has now been closed on the basis of undertakings offered by Pennon Group plc to provide separate reporting information for South West Water and Bristol Water, to enable Ofwat to maintain separate wholesale water price controls, in order that Ofwat has sufficient comparative information between water companies.

In cases of an acquisition of a Regulated Company by a company which is not already a Regulated Company or where the special water merger regime does not otherwise apply, general merger control rules apply. These may call for discussion with the CMA as well as Ofwat. The CMA has the power to investigate an anticipated or completed merger which meets the relevant thresholds, namely where the acquired enterprise generates turnover in the UK of £100 million or more, or the acquiring and acquired enterprises supply or acquire at least 25 per cent. of the same goods or services supplied in the UK (or a substantial part thereof) and the merger increases that share of supply, or at least one party has UK turnover of at least £350 million and a share of supply or purchase of goods or services of any description in the UK (or a substantial part of it), of 33 per cent. or more, and the other party is a UK business or body, or has at least part of its activities in the UK, or supplies goods or services in the UK. The CMA must refer a transaction for a second phase investigation if the transaction could be expected to result in a substantial lessening of competition within any market or markets in the UK for goods or services. In its investigations, the CMA will consult with Ofwat.

The Secretary of State, in certain limited circumstances, may also refer a merger to the CMA for a second phase investigation into whether the arrangement could be expected to operate against the public interest. Depending on the size of the parties involved, such mergers may still require notification to the European Commission 143 under the EU merger regime. In such circumstances, the CMA may still be able to investigate the effect of the merger, in order to protect the UK's legitimate national interests. While the water sector is not currently one of the 17 sensitive areas of the economy covered by the National Security and Investment Act 2021, this could change in the future.

Regulatory Developments

Cunliffe Review

In October 2024 the UK and Welsh Governments established the Independent Water Commission, led by Sir Jon Cunliffe, to provide recommendations for a fundamental 'reset' of the water sector – to restore public confidence in the sector and its regulation, to ensure action to attract the investment needed to clean up the waterways of England and Wales, and to establish a framework that will meet the water demands of the future. In June 2025 the Independent Water Commission published its interim report. The interim report sets out preliminary conclusions in five key areas, These include: Strategic direction and planning – *need for clearer, long-term strategic direction from Government*, Legislative framework – *elements of the legislative framework need review and rationalisation*, Regulatory reform – *strengthening and rebalancing of approach to economic regulation including development of a company-specific 'supervisory' model*, Company structures, ownership, governance and management – *is examining how to restore the stability and predictability of the regulatory system that is necessary to attract such low risk, low return investors*, and Infrastructure and asset health – *there is an insufficient understanding of the health of water sector assets and the overall resilience of the system*. The final report is due to be published in summer 2025, which will provide recommendations to the Secretary of State and Welsh ministers. Following the commission's conclusion, the UK government and Welsh Government will consider and respond to the commission's recommendations.

A Better Deal

On 30 November 2015, the Government announced in "*A Better Deal: boosting competition to bring down bills for families and firms*" that it intends to introduce household retail competition to the water

sector in England. It asked Ofwat to provide an assessment, by summer 2016, of the costs and benefits of extending retail competition to household customers. Ofwat submitted its final assessment in September 2016 which concluded that evidence suggests that a net positive outcome of introduction of competition to the residential retail water market is more likely than not, with Ofwat noting that there are potential benefits worth around £2.9 billion over 30 years if competition is extended to household customers. It is now up to the Government to decide if and when retail competition should be extended to household customers. However, given the current economic and political climate, the prospect of legislative changes being made to enable household competition being introduced in the immediate future looks remote as at the date of this Prospectus.

Bilateral Water Trading Market

In "*Water 2020: Our regulatory approach to water and wastewater services in England and Wales*", Ofwat set out how it intends to change the way it regulates to enable the sector to address the future challenges it faces and enable and encourage greater efficiency within the water sector, including how markets could play a more significant role in the supply of water resources.

Measures related to the introduction of bilateral markets for water resources (where a third-party provider of water resources contracts directly with a retailer to sell water to its business customers) are contingent on certain provisions of the Water Act 2014 being commenced.

Prior to any commencement, Ofwat and the sector will need to address policy issues and consider the role of bilateral markets within the broader evolution of the development of water resources, including the new National Framework and the cross-regulatory initiative, "RAPID".

In June 2019, Ofwat published a "Call for Information" seeking views from interested stakeholders about the development and implementation of a bilateral market in water resources in England. It intends to engage further with stakeholders and continue to liaise closely with DEFRA, the EA and the DWI to ensure that any approach taken to develop bilateral water markets remains aligned, in particular around issues such as water quality and environmental impacts.

Exit Regulations

The Water and Sewerage Undertakers (Exit from Non-household Retail Market) Regulations 2016 (known as the Exit Regulations) came into force on 3 October 2016, and provide for water and sewerage undertakers whose areas are wholly or mainly in England to apply to the Secretary of State for permission to exit the non-household retail market in their area of appointment when the retail market for non-household customers opened in April 2017.

YWS notified the Secretary of State that YWS would not be exiting its non-household retail activities on 1 April 2017 and would be deferring its exit until after the opening of the non-household retail market. A contract between YWS and Three Sixty (a sister company of YWS), which required Three Sixty to provide all non-household retail services to the business customers of YWS and was a key part of ensuring appropriate separation between the non-household retail and wholesale parts of the business.

In October 2019, Scottish Water Business Stream Limited ("**Business Stream**") acquired the YWS non-household retail business, YWBS, and the retail customers of Three Sixty. YWS subsequently exited the retail market following approval of the transfer by the Secretary of State and Ofwat. Under the acquisition arrangements Three Sixty provides non-household retail services to Business Stream under commercial terms to aid a smooth transition for customers.

Furthermore, Three Sixty's water and sewerage supply licence was revoked with effect from 18 September 2020.

Innovation Fund and Competition

At PR19 Ofwat made up to £200 million of customer funding available for the period 2020-25 (via customers' bills), and to hold a collectively funded innovation competition at least once a year. This Innovation Fund was launched in 2021 with the Innovation in Water Challenge. Water companies, in partnership with others, could submit innovation projects with the opportunity to win funding up to £250,000 and a larger Water Breakthrough Challenge for projects up to £10 million.

In 2022-23, the Water Breakthrough Challenge 2 and 3 were set out and split into two parallel Streams – Catalyst for projects up to £1 million and Transform up to £10 million.

Ofwat's goal is that the Innovation Fund's impact will continue well beyond AMP7 as successful projects share their outcomes across the sector.

As part of its 2024 price review (PR24), and following on changes to the fund in March-April 2024, Ofwat committed to a doubling of the fund's size to £400 million for 2025-30.

The Innovation Fund represents the additional revenue that water companies will collect from their customers for the purpose of the collectively funded innovation competitions for the period. The amount each company's customers will contribute will be proportionate to individual company revenues at PR19. The revenue collected from customers is to be ringfenced and administered so that it will not be used for purposes other than the innovation competition.

YWS has led, or supported on, 23 projects since the inception of the fund (with a value of £138 million) and a further 7 projects are due to start this year worth £27 million in total.

The company will continue to selectively make project bids into the competitions whilst also leveraging other external innovation grants or competitive funding to support its investment in research and development. For example, in AMP7 YWS secured around £5 million of funding from the Department of Culture Media and Sport to pilot a solution for laying and operating broadband fibre cable within existing water network infrastructure. It has also been awarded funding from the MOSL to test a range of interventions that aim to improve the smooth working of the non-household retail market in England.

Water Efficiency Fund

At PR24 Ofwat has also introduced a £100 million Water Efficiency Fund designed to "*stimulate a transformative, sustained, and measurable reduction in water demand across England and Wales by using a range of water efficiency approaches*". This fund will be divided into two streams:

- a large behavioural change campaign; and
- a separate competitive process for water efficiency projects that will operate in a similar manner to the Innovation Fund.

Changes to the Regulatory Accounting Guidelines

Statutory Accounts on their own are insufficient to assess the performance of price controlled water companies as their assets typically have a much longer life than those of an average UK company and so their value cannot be assessed by conventional means. The Regulatory Accounting Guidelines define in detail the treatment of particular items (for example, revenue and interest) where Ofwat

disclosure and accounting requirements differ from those normally required under UK accounting standards and applicable legislation.

The latest version of the Regulatory Accounting Guidelines were published by Ofwat in March 2025. These guidelines provide information by which Companies were required to publish their 2024-25 annual performance report. In AMP7 there was a 65 per cent. increase in the number of YWS's performance commitments (from 26 to 43) and a 67 per cent. increase in the volume of APR reporting requirements with additional lines and additional tables now included, providing information to a greater level of granularity.

Licence Fees for Water Companies and WSSL licensees

In August 2019, Ofwat published an information notice setting out changes to how, when determining the level of licence fees, Ofwat will allocate relevant costs between companies holding appointments as water and/or sewerage undertakers (appointed water companies) and water supply and/or sewerage licensees ("**WSSL licensees**"). Appointed water companies and WSSL licensees are required to pay licence fees to Ofwat, the Consumer Council for Water and the CMA. Ofwat has simplified the licence fee structure by calculating the flat fee element of licence fees by licence, rather than by licence holder, for both the Consumer Council for Water's and Ofwat's costs.

Customers' Interests

Customer Measure of Experience (C-Mex)

As described above in Chapter 5 "*Description of the YW Financing Group*", the C-Mex is designed to incentivise water companies to provide an excellent customer experience for residential customers, across both the retail and wholesale parts of the value chain.

C-Mex comprises two surveys – the customer service survey of residential customers who have recently contacted their company in relation to that recent contact and the customer experience survey of random members of the public in relation to their experience of their water company.

In both cases customers are asked how satisfied they are with the service provided and how likely they would be to recommend the water company to family or friends. The net promoter score result is measured and reported separately to the C-Mex score which is used to calculate financial incentives.

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Developer Measure of Experience (D-Mex)

As described above in Chapter 5 "Description of the YW Financing Group", D-Mex is a performance commitment with both financial and reputational incentives, to improve the customer experience of developer services customer in England and Wales. The customers captured by D-Mex includes small and large property developers, self-lay providers and those with NAVs. These customers can also include residential customers that have new mains connections installed.

D-Mex comprises a qualitative element which is a survey of developer services customers who have recently completed a transaction with their water company and a quantitative element which measures performance against a set of Water UK developer services level of service metrics.

Business Customer and Retailer Measure of Experience (BR-Mex)

As described above in Chapter 5 "Description of the YW Financing Group", Ofwat has also introduced BR-Mex as a new common performance commitment designed to incentivise the Wholesaler (company) to provide an excellent experience for business (non-household) customers and retailers.

BR-Mex is calculated as a single score for the Wholesaler and is an aggregated value resulting from two sets of customer surveys and market performance metrics:

- Business (non-household) Customer Experience Survey (B-Mex) – a satisfaction survey of a random sample of business customers who have recently contacted their wholesaler (50 per cent.).
- Retailer Experience survey (R-Mex) - derived from a twice-yearly survey of Retailers (25 per cent.)
- Market Performance Framework Metrics (MPF) - based on industry measures of wholesaler performance, as determined under the industry's Market Performance Framework (25 per cent.)

Guaranteed Standards Scheme

The Guaranteed Standards Scheme is underpinned by regulations made under sections 38(2) to (4), 95(2) to (4) and section 213 of the WIA, which prescribe minimum levels of service in matters such as the keeping of appointments with customers, enquiries and complaints from customers, giving notice of interruption of supply, and sewer flooding events.

If a Regulated Company does not meet any of the prescribed standards, the customer is entitled to compensation, normally in the region of £20 for domestic customers and £20 or £50 for business customers (although, in the case of sewer flooding, it can be up to £1,000) within 10 working days of the incident. The availability of such compensation is in addition to the availability of any other remedy the customer may have. Yorkshire Water also publish a Customer Charter based on this regulation which enhances some of the minimum standards and payment values. The Customer Charter can be accessed at: Yorkshire Water - Customer charter. The Water Act 2014 extends guaranteed service standards (minimum service standards and payments for service failures) for household and non-household customers to all licensees operating in the retail market.

Abstraction Incentive Mechanism

In April 2016, Ofwat began to apply an Abstraction Incentive Mechanism, which is targeted at limiting the levels of abstraction at low flows from environmentally sensitive sites. The incentives in AMP6 were purely reputational, however in AMP7 such incentives are also financial. YWS currently has no abstraction sites under the Abstraction Incentive Mechanism.

Code for Adoption Agreements

In its "Code for Adoption Agreements" of November 2017, Ofwat required Regulated Companies operating mainly in England to agree, in consultation with developers and self-lay providers, a standard set of arrangements for adopting water and sewerage infrastructure laid by developers. Among the detail of this Code was a requirement for companies to set certain standards for the self-lay process and provide "redress" for failing to meet those standards. The sector guidance submitted provides for a much greater number of metrics to be reported to Water UK (the water industry trade association) and published, with redress payments for individual failings as well as a right to a written explanation, escalated through company management where appropriate.

It is hoped that the sector guidance and model agreements will deal with any shortcomings in and impediments to the self-lay market. It does, however, appear to be a matter of strong consensus among companies that the new financial incentives based on developer satisfaction will achieve far more than

any redress available under the self-lay sector guidance, which has been designed to complement those incentives, rather than repeat them.

Climate Change

Carbon Emissions: YWS discloses in its Annual Report its climate risks in alignment with "Climate-related Financial Disclosures" guidelines. YWS has a number of climate specific risks including drought, flooding, land management, coastal erosion, invasive species and affordability. YWS is committed to reducing these climate risks. Such commitment includes YWS's pledge to reach net zero target, through a mixture of energy efficiency, investment in renewable technology and land management such as peatland restoration and tree planting. Details about YWS's pledge to reduce carbon emissions is accessible at: https://www.yorkshirewater.com/environment/climate-change-and-carbon/. In 2025, YWS's net carbon emissions increased to 295,000 CO_2e, (2024: 281,000 CO_2e) using a market based reporting approach.

Drought: YWS has a statutory long-term water resources management and drought plan (WRMP) which is required under section 37A to 37D of the WIA. The WRMP sets out how YWS intends to manage the increasing risk of hot, dry weather and increased demand due to climate change and population growth over the next 25 years. The Yorkshire Grid means YWS's customers' supply is resilient to a 1- in- 500 year drought event, one of the highest levels of drought resilience in England. YWS achieved a 15.1 per cent. reduction in leakage from 2020 to 2025 in line with its regulatory performance commitment target.

Natural Flooding: Climate change may increase the risk of YWS's assets (which are necessarily located next to rivers and the sea) to flooding. Due to the location of some of YWS's assets it is difficult for YWS to fully flood proof. Critical equipment has been raised above historic flood depths at YWS's largest and most important sites, with an allowance for climate change where practicable. Such preparation will allow YWS to efficiently recover such sites in instances of flooding. YWS is also leading the way with natural flood risk management techniques, co-ordinating the Yorkshire Land Network, encouraging farming tenants to adopt the Beyond Nature approach to sustainable farming and collaborating with the National Trust and others on landscape scale schemes to slow the flow of water. Alongside YWS's peatland and other habitat restoration work, this activity helps protect raw water quality, sequesters and stores carbon and enhances biodiversity.

Surface Water Flooding: There is a risk of surface water overwhelming YWS's sewer network represents one of the most challenging climate risks. The automatic right to connect, urban creep, population growth and increasing intensity of rainfall due to climate change have caused (and will continue to cause) YWS's network capacity to decrease. The new requirement for a 25 year Drainage and Wastewater Management Plan ("**DWMP**") will help place drainage planning on the same basis as water resources, allowing a long term view of risks and solutions. YWS's first DWMP was published in Summer 2022. YWS will require ongoing investment in sewer repair and refurbishment to prevent flooding, alongside a programme of investigations and solutions to reduce the impact of storm overflows on river water quality. YWS will also need to work in partnership to remove surface water, highways drainage and watercourses from its network. YWS's £22 million Living with Water programme in Hull seeks to identify partnership opportunities to manage surface water flooding in a more holistic and sustainable way. YWS is also encouraging surface water removal by working with developers to install appropriately designed sustainable urban drainage systems which YWS can then adopt. These systems help store and slow the flow of rainwater into YWS's network, reducing the risk of sewer flooding.

CHAPTER 7
OVERVIEW OF THE FINANCING AGREEMENTS

Security Trust and Intercreditor Deed

General

The intercreditor arrangements in respect of the YW Financing Group (the "**Intercreditor Arrangements**") are contained in the STID and the Common Terms Agreement. The Intercreditor Arrangements bind each of the Secured Creditors (subject in the case of the Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee to the provisions set out under "*Non-Participating YWSF Bondholders*" below) and each of the Obligors.

The Secured Creditors will include the Senior Debt Providers that enter into or accede to the STID. Any new Authorised Credit Provider (or, in respect of Bondholders, any additional Bond Trustee, or in respect of the Participating YWSF Bondholders, any additional Participating YWSF Bond Trustee) will be required to accede to the STID and the Common Terms Agreement.

Unsecured creditors will not become parties to the Intercreditor Arrangements and, although ranking behind the Secured Creditors in an administration or other enforcement, will have unfettered, independent rights of action in respect of their debts. However, the aggregate amount of unsecured Financial Indebtedness will be restricted under the Common Terms Agreement.

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

The Intercreditor Arrangements also provide for the ranking in point of payment of the claims of the Secured Creditors, both before and after any enforcement of the Security, and for the subordination of all claims of Subordinated Secured Creditors, Subordinated Creditors or claims among the YW Financing Group (other than claims in respect of the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements and the YWSF/YWS Loan Agreements). Each Secured Creditor (other than the Security Trustee acting in such capacity and subject in the case of the Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee to the provisions set out under "*Non-Participating YWSF Bondholders*" below) and each Obligor give certain undertakings in the STID which serve to maintain the integrity of these arrangements.

Non-Participating YWSF Bondholders

The Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee are Shared Secured Creditors (see "*Security Agreement*" below).

Pursuant to the STID, each Class of Non-Participating YWSF Bondholders are entitled to instruct the Non-Participating YWSF Bond Trustee to accede to the STID and agree to be bound by the terms of the Common Terms Agreement and the Master Definitions Agreement on behalf of the Non-Participating YWSF Bondholders of each such Class and to act as their Secured Creditor Representative and Class A DIG Representative thereunder. At the meetings of each Class of Non-Participating YWSF Bondholders which were convened by YWSF in October 2009, the Non-Participating YWSF Bond Accession Resolutions were passed in respect of four Classes of the Non-Participating YWSF Bonds. As such, the Non-Participating YWSF Bond Trustee has acceded to the STID on behalf of such Classes and the Non-Participating YWSF Bondholders in respect of those

Classes are entitled to vote in respect of certain limited matters which are defined as Non-Participating YWSF Bond Voting Matters.

Notwithstanding any other provision of the STID, the Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee shall retain every right, power and discretion to take Independent Enforcement Action against YWSF and/or YWS (such rights, powers and discretions constituting "**Non-Participating YWSF Bond Reserved Matters**"), however, the Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee will only be entitled to vote in the Class A DIG in respect of Non-Participating YWSF Bond Voting Matters for so long as they hold Non-Participating YWSF Bonds which form part of a Class of Non-Participating YWSF Bonds in respect of which no Independent Enforcement Action has been taken. Following the taking of any Independent Enforcement Action, the relevant Class of Non-Participating YWSF Bonds will cease to constitute Qualifying Class A Debt.

Furthermore, the Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee in respect of a Class of Non-Participating YWSF Bonds in respect of which a Non-Participating YWSF Bond Refusal Date has occurred, will have no entitlement to vote or direct the Security Trustee in relation to any matter following such date, however, such Non-Participating YWSF Bondholders and Non-Participating YWSF Bond Trustee shall remain Shared Secured Creditors.

In addition, Non-Participating YWSF Bondholders have certain limited entrenched rights (the "**Non-Participating YWSF Bond Entrenched Rights**") relating to the Shared Security, the entitlement to vote in respect of Non-Participating YWSF Bond Voting Matters and the Payment Priorities.

References in this Prospectus to the Non-Participating YWSF Bond Trustee acting in its capacity as Secured Creditor Representative and Class A DIG Representative and to the voting rights of the Non-Participating YWSF Bondholders of any Class shall only apply from the Non-Participating YWSF Bond Accession Date in respect of such Class.

Modifications, Consents and Waivers

Subject to the Entrenched Rights and Reserved Matters (see the section "*Entrenched Rights and Reserved Matters*" below) (which will always require the consent of all of the relevant Secured Creditors who are affected), the Security Trustee may (but is not obliged to) make modifications to the Finance Documents without the consent of any other Secured Creditor, if such modifications, consents or waivers:

(a) in the opinion of the Security Trustee, are:

(i) to correct manifest or proven errors;

(ii) to comply with mandatory provisions of law; or

(iii) of a formal, minor or technical nature,

(and in each case the Security Trustee may rely upon a certificate of an expert in relation thereto), or,

(b) subject to the proviso to this paragraph (b), would not, in the opinion of the Security Trustee (having regard to its obligations and duties as trustee to the Secured Creditors pursuant to the STID and subject to the standard of care ascribed to the Security Trustee pursuant to the STID) be reasonably likely to have a Material Adverse Effect on the ability of the Obligors to comply with their payment obligations in respect of the Qualifying Debt owed to the relevant Qualifying Debt Providers, provided that, in exercising discretion under this paragraph (b), the Security Trustee shall not concur with any proposed modification to, or give any consent or grant any waiver under or in respect of, any term of the STID or any other Finance Document

to which the Security Trustee is a party or over which it has Security under the Security Documents, in respect of any proposed consent, waiver or modification that:

(i) would change or would have the effect of changing any of the Trigger Events;

(ii) would change or would have the effect of changing any of the covenants set out in the Common Terms Agreement;

(iii) would change or would have the effect of changing the cash management provisions set out in Schedule 11 (*Cash Management*) of the Common Terms Agreement;

(iv) would relate to the waiver or amendment of any Event of Default or Potential Event of Default; or

(v) would relate to the waiver or amendment of any of the repeated representations under the Common Terms Agreement.

The Security Trustee shall also concur, without any requirement to obtain the consent or sanction of any other Secured Creditor other than those listed in the proviso below, with any proposed modification, amendment, consent or waiver to an Authorised Credit Facility (other than any Issuer/YWS Loan Agreement, YWSF/YWS Loan Agreement or Issuer/YWS Bond Loan Agreement), provided that: (i) each Contracting Secured Creditor under the relevant Authorised Credit Facility (or, to the extent that the relevant Authorised Credit Facility requires only a specified majority of the relevant Contracting Secured Creditors to consent to or sanction the proposed modification, amendment, consent or waiver, at least the specified majority of the relevant Contracting Secured Creditors under the relevant Authorised Credit Facility) has provided written consent to such modification, amendment, consent or waiver; and (ii) the requested modification, amendment, consent or waiver does not impose additional obligations or liabilities on the Security Trustee.

Additionally, the Security Trustee shall concur (subject to the provisions of the STID), without the consent or sanction of any other Secured Creditor, with any proposed modifications to the Issuer/YWS Bond Loan Agreements to the extent required to ensure that the economic effect of the Issuer/YWS Bond Loan Agreements taken as a whole will be such that the Issuer will have sufficient funds, on each Payment Date in respect of each Class of Class A Unwrapped Bonds issued by the Exchange Issuer, to make the payments due on such Bonds on such Payment Date in full, in each case plus any applicable fee or margin payable to the Issuer.

Other than as set out above and subject to Entrenched Rights and Reserved Matters (which will always require the consent of all of the relevant Secured Creditors who are affected), the Security Trustee shall only agree to any modification of or grant any consent or waiver under the Finance Documents or (subject to restrictions during a Standstill Period) take Enforcement Action with the consent of or if so instructed by the Majority Creditors provided that the relevant Quorum Requirement has been met.

The STID contains detailed provisions setting out the voting and instruction mechanics in respect of STID Matters, including provisions specifying the relevant decision periods within which votes must be cast (each a "**Decision Period**") (which period must not be less than 15 Business Days from notification to the Qualifying Debt Providers of a STID Matter). Pursuant to the terms of the STID, the "**Quorum Requirement**" for any STID Matter is one or more Qualifying Class A Debt Provider (or, following the repayment in full of all Qualifying Class A Debt, one or more Qualifying Class B Debt Provider) representing in aggregate at least 20 per cent. of the entire Outstanding Principal Amount of all Qualifying Class A Debt (or, following the repayment in full of all Qualifying Class A Debt, all Qualifying Class B Debt), **provided that**, if the Quorum Requirement is not met within the initial Decision Period (as specified in the STID), the Decision Period will be extended by a further

period of seven Business Days and the Quorum Requirement shall reduce to zero at the end of such extended Decision Period.

Majority Creditors

Decisions of the Majority Creditors will be determined by votes on a "pound-for-pound" basis (based on the Outstanding Principal Amount of the Qualifying Class A Debt voted by the Class A DIG Representatives (or, following the repayment in full of all Qualifying Class A Debt, the Outstanding Principal Amount of the Qualifying Class B Debt voted by the Class B DIG Representatives)).

Subject to Entrenched Rights and Reserved Matters and provided that the relevant Quorum Requirement has been met, the Security Trustee will be entitled to act on the instructions of the Majority Creditors of those Class A DIG Representatives or, as the case may be, Class B DIG Representatives which have actually voted within the specified Decision Period or, if earlier, as soon as Class A DIG Representatives or, as the case may be, Class B DIG Representatives in respect of more than 50 per cent. of the Qualifying Class A Debt or, as the case may be, Qualifying Class B Debt have voted in favour of the relevant proposal.

Class A Debt Instructing Group

Both prior to and during any Standstill Period, after acceleration of the Secured Liabilities and upon any enforcement of the Security prior to repayment in full of the Qualifying Class A Debt, only the Class A DIG Representatives voting in respect of the Outstanding Principal Amount of Qualifying Class A Debt that they represent will be eligible to exercise the rights of the Majority Creditors. Following the taking of any Independent Enforcement Action by or on behalf of any Class A Debt Provider, the relevant Class A Debt will cease to constitute Qualifying Class A Debt.

Provided that the relevant Quorum Requirement has been met, decisions of the Majority Creditors will bind all of the Secured Creditors in all circumstances, save for certain Entrenched Rights and Reserved Matters (see the section "*Entrenched Rights and Reserved Matters*" below).

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

(a) in respect of each Sub-Class of Class A Wrapped Bonds and the YWSF Wrapped Bonds (if no FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Wrapped Bonds or, as the case may be, the YWSF Wrapped Bonds), the Financial Guarantor of such Sub-Class of Class A Wrapped Bonds or, as the case may be, the YWSF Wrapped Bonds;

(b) in respect of each Sub-Class of Class A Wrapped Bonds and the YWSF Wrapped Bonds (after an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Wrapped Bonds or, as the case may be, the YWSF Wrapped Bonds) and each Sub-Class of Class A Unwrapped Bonds and each Class of YWSF Unwrapped Bonds, the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee (**provided that**, unless:

(i) a Default Situation has occurred and is continuing (other than in respect of a STID Matter the subject of an Emergency Instruction Notice);

(ii) such proposal is the subject of an Entrenched Right or a Reserved Matter of the Class A Bondholders or, as the case may be, the Participating YWSF Bondholders,

the Class A Wrapped Bondholders (in respect of each such Sub-Class or Class of Class A Wrapped Bonds), the Participating YWSF Bondholders (in respect of such YWSF Wrapped Bonds), the Class A Unwrapped Bondholders (in respect of each Sub-Class of Class A

Unwrapped Bonds) or, as the case may be, the Participating YWSF Bondholders (in respect of each Class of YWSF Unwrapped Bonds), shall each be entitled to participate directly in the Class A DIG and direct the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee to vote in respect of any STID Direct Voting Matters through the clearing system voting mechanics as described under "*Bondholder Voting*" below);

(c) (in respect of a Non-Participating YWSF Bond Voting Matter only) in respect of each Class of Non-Participating YWSF Bonds, the Non-Participating YWSF Bond Trustee, **provided that**:

(i) the Non-Participating YWSF Bond Trustee and the Non-Participating YWSF Bondholders of a Class of Non-Participating YWSF Bonds in relation to which a Non-Participating YWSF Bond Refusal Date has occurred shall have no entitlement to vote or direct the Security Trustee under the STID on any matter (including a Non-Participating YWSF Bond Voting Matter) following such date;

(ii) the Non-Participating YWSF Bond Trustee and the Non-Participating YWSF Bondholders of a Class of Non-Participating YWSF Bonds in relation to which no Non-Participating YWSF Bond Refusal Date has occurred shall have no entitlement to vote on or direct the Security Trustee in relation to any matter under the STID other than a Non-Participating YWSF Bond Voting Matter, a Non-Participating YWSF Bond Entrenched Right or a Non-Participating YWSF Bond Reserved Matter; and

(iii) (subject at all times to the other provisos contained in this paragraph (c)), unless

(A) a Default Situation has occurred and is continuing (other than in respect of a STID Matter the subject of an Emergency Instruction Notice); or

(B) such proposal is the subject of an Entrenched Right or a Reserved Matter of the Non-Participating YWSF Bondholders,

the Non-Participating YWSF Bondholders (in respect of each Class of Non-Participating YWSF Bonds), shall each be entitled to participate directly in the Class A DIG and direct the Non-Participating YWSF Bond Trustee to vote in respect of any STID Direct Voting Matters (to the extent that such STID Direct Voting Matters are in respect of Non-Participating YWSF Bond Voting Matters) through the clearing system voting mechanics as described under "*Bondholder Voting*" below;

(d) in respect of the Existing Authorised Credit Facilities, the relevant Existing Authorised Credit Provider;

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

(f) in respect of any other Secured Liabilities of the type referred to in paragraphs (a) to (e) above or (with the approval of the Majority Creditors) other types of Secured Liabilities that rank *pari passu* with all other Class A Debt, the relevant representative appointed under the terms of the relevant Finance Document and named in the relevant Accession Memorandum as the Class A DIG Representative.

Other Secured Creditors of Class A Debt that accede to the STID and the Common Terms Agreement after the Closing Date may appoint their own representative to act as their Class A DIG Representative.

Class B Debt Instructing Group

Following repayment in full of the Qualifying Class A Debt, the Class B DIG Representatives voting in respect of the Outstanding Principal Amount of Qualifying Class B Debt that they represent will be eligible to exercise the rights of the Majority Creditors. After repayment in full of the Qualifying Class A Debt, provided that the relevant Quorum Requirement has been met, decisions of such Majority

Creditors will bind all of the Secured Creditors in all circumstances, save for certain Entrenched Rights and Reserved Matters (see the section "*Entrenched Rights and Reserved Matters*" below).

The Qualifying Class B Debt Providers will exercise their rights through a group of representatives which will together be entitled to vote on certain proposals as part of the Class B Debt Instructing Group (the "**Class B DIG**"). The Class B DIG will be comprised of the following representatives (each, a "**Class B DIG Representative**"):

(a) in respect of each Sub-Class of Class B Wrapped Bonds (if no FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Wrapped Bonds), the Financial Guarantor of such Sub-Class of Class B Wrapped Bonds;

(b) in respect of each Sub-Class of Class B Wrapped Bonds (after an FG Event of Default, has occurred and is continuing in respect of the relevant Financial Guarantor) and each Sub-Class of Class B Unwrapped Bonds, the Bond Trustee (**provided that**, unless:

(i) a Default Situation has occurred and is continuing (other than in respect of a STID Matter the subject of an Emergency Instruction Notice); or

(ii) such proposal is the subject of an Entrenched Right or a Reserved Matter of the Class B Bondholders,

the Class B Wrapped Bondholders (in respect of each such Sub-Class or Class of Class B Wrapped Bonds) or the Class B Unwrapped Bondholders (in respect of each Sub-Class of Class B Unwrapped Bonds) shall each be entitled to participate directly in the Class B DIG and direct the Bond Trustee to vote in respect of any STID Direct Voting Matters through the clearing system voting mechanics described under "*Bondholder Voting*" below); and

(c) in respect of any other Secured Liabilities of the type referred to in paragraphs (a) and (b) above or (with the approval of the Majority Creditors) other types of Secured Liabilities that rank *pari passu* with all other Class B Debt, the relevant representative appointed under the terms of the relevant Finance Document and named in relevant Accession Memorandum, as the Class B DIG Representative.

Bondholder Voting

Unless a Default Situation has occurred and is continuing (other than in respect of a STID Matter the subject of an Emergency Instruction Notice (see the section "*Emergency Instruction Procedure*" below)) or a STID Matter is the subject of an Entrenched Right or a Reserved Matter of a Series, Class or Sub-Class of Bondholders or, as the case may be, a Class of Participating YWSF Bondholders, the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee shall not be entitled to convene a meeting of any Series, Class or Sub-Class of Bonds or, as the case may be, Class of Participating YWSF Bonds to consider any STID Matter to be voted on by the Class A DIG or, as the case may be, the Class B DIG. However, in such circumstances:

(a) for so long as Qualifying Class A Debt remains outstanding, each Class A Unwrapped Bondholder, each Participating YWSF Bondholder in respect of YWSF Unwrapped Bonds and, if an FG Event of Default has occurred and is continuing in respect of a Financial Guarantor, each Class A Wrapped Bondholder in respect of the relevant Class A Wrapped Bonds and each Participating YWSF Bondholder in respect of the YWSF Wrapped Bonds; or

(b) following the repayment in full of all Qualifying Class A Debt and for so long as Qualifying Class B Debt remains outstanding, each Class B Unwrapped Bondholder and, if an FG Event of Default has occurred and is continuing in respect of a Financial Guarantor, each Class B Wrapped Bondholder in respect of the relevant Class B Wrapped Bonds,

(each, a "**Qualifying Bondholder**") shall each be entitled to vote on the proposed STID Matter (a "**STID Direct Voting Matter**") within the specified Decision Period directly through the clearing systems.

The Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee will, upon receipt of notice of a STID Direct Voting Matter pursuant to the terms of the STID, distribute a copy of the STID Direct Voting Matter to the Qualifying Bondholders through the clearing systems. The Principal Paying Agent (in respect of Bearer Bonds), the Registrar (in respect of Registered Bonds) or, as the case may be, the YWSF Paying Agent (in respect of the Participating YWSF Bonds) will collect the votes cast by such Bondholders or, as the case may be, Participating YWSF Bondholders and will complete block voting instructions (which will be the only method of voting in respect of such matters) and will notify the Security Trustee, the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee and the Issuer or, as the case may be, YWSF accordingly. Only the Outstanding Principal Amount of Bonds or, as the case may be, Participating YWSF Bonds then owned by Bondholders or, as the case may be, Participating YWSF Bondholders that vote on (either for or against) a proposed STID Direct Voting Matter within the Decision Period will be counted towards the overall voting requirement of the Class A DIG or, as the case may be, the Class B DIG for the purposes of the definition of Majority Creditors (and such votes will be divided on a pound-for-pound basis between votes cast in favour and votes cast against, irrespective of whether a majority of a particular Sub-Class of Bonds or Participating YWSF Bonds have voted in favour or against). Votes cast in favour and votes cast against will then be aggregated by the Security Trustee with the votes cast by the other Class A DIG Representatives or, as the case may be, Class B DIG Representatives in order to determine whether the Majority Creditor requirement has been reached to pass the relevant STID Matter.

In respect of any STID Matter that is the subject of an Entrenched Right or Reserved Matter of a Series, Class or Sub-Class of Bondholders or, as the case may be, a Class of Participating YWSF Bondholders, the DIG Representative in respect of all Bonds and Participating YWSF Bonds will be the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee who will be entitled to convene a meeting of any Series, Class or Sub-Class of Bonds or, as the case may be, any Class of Participating YWSF Bonds to consider any such STID Matter. In such circumstances, the relevant Decision Period shall end on such later date (not later than two months after notification of the STID Matter) as is requested of the Security Trustee by the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee should the Bond Trustee or the Participating YWSF Bond Trustee consider it necessary to convene a meeting of any one or more Series, Class or Sub-Class of Bondholders or, as the case may be, Participating YWSF Bondholders to seek directions.

In respect of any STID Matter following the occurrence of a Default Situation and for so long as a Default Situation is continuing (other than a STID Matter in respect of which the proposer has elected to utilise the Emergency Instruction Procedure), the DIG Representative in respect of all Unwrapped Bonds and YWSF Unwrapped Bonds and, following an FG Event of Default in relation to the relevant Financial Guarantor, the relevant Wrapped Bonds or, as the case may be, YWSF Wrapped Bonds will be the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee who will be entitled to convene a meeting of any Series, Class or Sub-Class of Bonds or, as the case may be, any Class of Participating YWSF Bonds to consider any such STID Matter (provided that the Bond Trustee as DIG Representative of the Class B Bondholders in respect of the Unwrapped Bonds will only be entitled to vote on a STID Matter following the repayment in full of all Qualifying Class A Debt). In such circumstances, the relevant Decision Period shall end on such later date (not later than two months after notification of the STID Matter) as is requested of the Security Trustee by the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee should the Bond Trustee or the Participating YWSF Bond Trustee consider it necessary to convene a meeting of any one or more Series, Class or Sub-Class of Bondholders or, as the case may be, Participating YWSF Bondholders to seek directions.

Subject to Entrenched Rights and Reserved Matters, whilst a Default Situation is continuing, the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee shall not be entitled to convene a meeting of the Bondholders or, as the case may be, the Participating YWSF Bondholders after the presentation of a valid Emergency Instruction Notice pursuant to the terms of the STID (see "*Emergency Instruction Proce*dure" below). However, the Unwrapped Bondholders, Participating YWSF Bondholders in respect of YWSF Unwrapped Bonds and, following an FG Event of Default in relation to the relevant Financial Guarantor, the relevant Wrapped Bondholders or, as the case may be, Participating YWSF Bondholders in respect of the YWSF Wrapped Bonds will be entitled to participate directly in the Class A DIG or, as the case may be, the Class B DIG in respect of any vote on any STID Matter the subject of an Emergency Instruction Notice.

Pursuant to the STID, from and including the Non-Participating YWSF Bond Accession Date in respect of any Class of Non-Participating YWSF Bonds (see "*Non-Participating YWSF Bonds*" above), the Non-Participating YWSF Bondholders will be entitled to participate directly in the Class A DIG in respect of Non-Participating YWSF Bond Voting Matters only pursuant to voting provisions on substantially similar terms to those described above in respect of Bondholders and Participating YWSF Bondholders (such voting provisions to be incorporated into the terms and conditions of such Non-Participating YWSF Bonds pursuant to the Non-Participating YWSF Bond Accession Resolution). Similarly, in respect of Non-Participating YWSF Bond Entrenched Rights and Non-Participating YWSF Bond Reserved Matters, the Non-Participating YWSF Bond Trustee shall be entitled to convene a meeting of the Non-Participating YWSF Bondholders (subject to a valid Emergency Instruction Notice during a Default Situation (as described above in respect of Bondholders and Participating YWSF Bondholders and under "*Emergency Instruction Procedure*" below).

Emergency Instruction Procedure

Whilst a Default Situation is subsisting, certain decisions and instructions may be required in a timeframe which does not allow the Bond Trustee, the Participating YWSF Bond Trustee or, as the case may be, Non-Participating YWSF Bond Trustee to convene Bondholder, Participating YWSF Bondholder or, as the case may be, Non-Participating YWSF Bondholder meetings. To cater for such circumstances, the Intercreditor Arrangements provide for an emergency instruction procedure (the "**Emergency Instruction Procedure**") which is subject to Entrenched Rights and Reserved Matters. In respect of any STID Matter during a Default Situation, the proposer must elect whether or not it wishes to utilise the Emergency Instruction Procedure in the event that the Bond Trustee, the Participating YWSF Bond Trustee or, as the case may be, the Non-Participating YWSF Bond Trustee convenes a Bondholder, Participating YWSF Bondholder or, as the case may be, Non-Participating YWSF Bondholder meeting and any such STID Matter will constitute a STID Direct Voting Matter for the purposes of Bondholder, Participating YWSF Bondholder or, as the case may, be Non-Participating YWSF Bondholder voting. The Security Trustee will be required to act upon instructions contained in an emergency instruction notice (an "**Emergency Instruction Notice**"). An Emergency Instruction Notice must be signed by DIG Representatives (the "**EIN Signatories**") representing $66^2/_3$ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Class A Debt or, following the repayment in full of all Qualifying Class A Debt, Qualifying Class B Debt (after excluding from the proportion of Qualifying Class A Debt or, as the case may be, Qualifying Class B Debt, the Outstanding Principal Amount of: (a) the Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in relation to the relevant Financial Guarantor); (b) the Unwrapped Bonds; (c) the YWSF Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in relation to the YWSF Financial Guarantor); (d) the YWSF Unwrapped Bonds; and (e) the Non-Participating YWSF Bonds which constitute Qualifying Class A Debt in each case, in respect of which the relevant Bondholder, Participating YWSF Bondholder or, as the case may be, Non-Participating YWSF Bondholder has not voted through the clearing systems during the

initial 15 Business Day Decision Period). The Emergency Instruction Notice must specify the emergency action which the Security Trustee is being instructed to take on or after the expiry of the initial 15 Business Day Decision Period and must certify that in the EIN Signatories' reasonable opinion, unless such action is taken within the timeframe specified in the Emergency Instruction Notice, the interests of the EIN Signatories would be materially prejudiced.

As described above, the Unwrapped Bondholders, Participating YWSF Bondholders in respect of YWSF Unwrapped Bonds and, following an FG Event of Default in relation to the relevant Financial Guarantor, the relevant Wrapped Bondholders or, as the case may be, Participating YWSF Bondholders in respect of the YWSF Wrapped Bonds and the Non-Participating YWSF Bondholders in respect of Non-Participating YWSF Bonds which constitute Qualifying Class A Debt, shall each be entitled to instruct the Bond Trustee through the clearing systems in accordance with the terms of the Bond Trust Deed, Participating YWSF Bond Trust Deed or, as the case may be, Non-Participating YWSF Bond Trust Deed (as amended pursuant to the relevant Non-Participating YWSF Bond Accession Resolution) to vote on its behalf as the DIG Representative of such Bondholder or Participating YWSF Bondholder or Non-Participating YWSF Bondholder (as the case may be) in relation to any STID Matter the subject of such Emergency Instruction Notice.

Hedge Counterparties

Each Hedge Counterparty is or will be a Secured Creditor party to the STID and the Common Terms Agreement and each Hedging Agreement to hedge the currency of any Class A Debt or to hedge interest rates constitutes or will constitute Class A Debt or, if entered into to hedge the currency of any Class B Debt, Class B Debt.

The Hedge Counterparties will not form part of the Class A DIG or the Class B DIG. However, all fees, interest and principal payable by the Issuer and/or YWSF and/or YWS (as the case may be) to the Hedge Counterparties will rank in the Payment Priorities senior to or *pari passu* with interest or principal payments on the Class A Bonds except in relation to certain amounts payable by the Issuer and/or YWSF and/or YWS under any Currency Hedging Agreement in relation to Class B Debt and except that termination payments due or overdue to a Hedge Counterparty under any Hedging Agreement which arise as a result of a default by such Hedge Counterparty or as a result of a downgrade in the credit rating of such Hedge Counterparty following any failure by the Hedge Counterparty to comply with the applicable downgrade provisions set out in the relevant Hedging Agreement shall be subordinated to payments in respect of Class B Debt. An Interest Rate Hedging Agreement may be designated at the time of accession of the relevant Hedge Counterparty to the STID in respect of such Interest Rate Hedging Agreement as a Super-Senior Interest Rate Hedging Agreement (in which case scheduled amounts rank senior to interest on Class A Debt pursuant to the Payment Priorities) or a Pari Passu Interest Rate Hedging Agreement (in which case scheduled amounts rank *pari passu* with interest on Class A Debt pursuant to the Payment Priorities).

See the sections "*Cash Management*" and "*Hedging*" below.

Liquidity Facility Providers

Each Liquidity Facility Provider is or will be a Secured Creditor party to the STID and the Common Terms Agreement and each Liquidity Facility Agreement constitutes or will constitute Class A Debt.

The Liquidity Facility Providers will not form part of the Class A DIG. However, fees, interest and principal payable to the Liquidity Facility Providers will rank in the Payment Priorities senior to interest and principal payments on the Class A Bonds. See the sections "*Cash Management*" and "*The Liquidity Facilities*" below.

Finance Lessors

Each Finance Lessor is or will be a Secured Creditor party to the STID and all amounts arising under the Finance Leases will constitute Class A Debt.

Authorised Credit Providers

The Existing Authorised Credit Providers constitute Class A Debt Providers and form part of the Class A DIG.

Standstill

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

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

During the Standstill Period:

(a) none of the Secured Creditors will be entitled to give any instructions to the Security Trustee to take any Enforcement Action (but without prejudice to the ability of the Secured Creditors to demand payment) in relation to the Security granted by the Issuer, YWSF, or YWS;

(b) the Security granted by YWH may be enforced at any time by the Security Trustee at the direction of the Majority Creditors (provided that the relevant Quorum Requirement has been met and **provided further that** the Ring-fenced Secured Creditors may, without the prior consent of the Majority Creditors, accelerate their respective claims to the extent necessary to apply proceeds of enforcement of the share charges or any other Security provided by YWH but only to the extent that such accelerated claims would be discharged out of such proceeds pursuant to the Payment Priorities);

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

(d) any monies received by YWS, YWSF, or the Issuer and all monies credited to the Accounts, will be applied in accordance with the cash management provisions contained in the Common Terms Agreement (see the section "*Cash Management*" below) and in accordance with the Payment Priorities (see the section "*Cash Management – Debt Service Payment Account*" below),

provided that, none of the provisions described above shall prevent the Non-Participating YWSF Bondholders or the Non-Participating YWSF Bond Trustee on their behalf or for itself exercising any rights or taking any action, step or proceedings which are specified to be Non-Participating YWSF Bond Reserved Matters.

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

(i) an order is made for the Special Administration of YWS or any steps are taken to commence Insolvency Proceedings against the Issuer, YWSF, or YWS other than proceedings that are commenced by the Security Trustee;

(ii) (during the first 18 months of the Standstill Period) Class A DIG Representatives in respect of $66^{2}/_{3}$ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Class A Debt or (following the repayment in full of the Class A Debt) Class B DIG Representatives in respect of $66^{2}/_{3}$ per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Class B Debt vote to terminate the Standstill Period (see the section "*Standstill Extension*" below); or

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

The occurrence of a Standstill will not of itself prevent the Issuer or YWSF drawing under the Liquidity Facilities.

Upon termination of a Standstill Period (except by virtue of the matters referred to in (iii) above), each Secured Creditor will be entitled to exercise all rights which may be available to it under any Finance Document to which it is a party (other than any Security Document) or, as the case may be, the Non-Participating YWSF Bonds including directing the Security Trustee to take Enforcement Action **provided that**, none of the provisions described above shall prevent the Non-Participating YWSF Bondholders or the Non-Participating YWSF Bond Trustee on their behalf or for itself exercising any rights or taking any action, step or proceeding which are specified to be Non-Participating YWSF Bond Reserved Matters.

Standstill Extension

The Standstill Period shall automatically be extended beyond 18 months:

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

(b) following the period referred to in sub-paragraph (a), for a further 60 days unless Class A DIG Representatives in respect of $33^{1}/_{3}$ per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Class A Debt vote at any time prior to the commencement of or during such further 60 day period to terminate the Standstill Period; and

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

None of the Bond Trustee, the Participating YWSF Bond Trustee or the Non-Participating YWSF Bond Trustee shall form part of the Class A DIG in respect of any vote to terminate the Standstill Period, unless directed or requested to vote in such manner: (i) by an Extraordinary Resolution of the relevant Sub-Class of Class A Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in respect of the relevant Financial Guarantor of such Sub-Class of Wrapped Bonds) or, as the case may be, the YWSF Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in respect of the YWSF Financial Guarantor), or Class A Unwrapped Bonds or, as the case may be, YWSF Unwrapped Bonds or, as the case may be, Non-Participating YWSF Bonds; or (ii) in writing by Bondholders or, as the case may be, Participating YWSF Bondholders, holding not less than 25 per cent. of the Outstanding Principal Amount of the relevant Sub-Class of Class A Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in respect of the relevant Financial Guarantor of such Sub-Class of Wrapped Bonds) or, as

the case may be, the YWSF Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in respect of the YWSF Financial Guarantor) or Class A Unwrapped Bonds, as the case may be, YWSF Unwrapped Bonds.

When the Qualifying Class A Debt has been fully repaid, the rights to terminate the Standstill Period as described above shall be vested in the Class B DIG Representatives.

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

Enforcement

Following an Event of Default and for so long as it is continuing, the Majority Creditors (provided that the relevant Quorum Requirement has been met) may direct the Security Trustee to enforce the Security created by YWH; following the termination of a Standstill Period (except under (iii) of "*Standstill*" above), the Majority Creditors (provided that the relevant Quorum Requirement has been met) may direct the Security Trustee to enforce the Security created by YWS, YWSF, and the Issuer.

Subject to certain matters and to certain exceptions, following an enforcement, any proceeds of enforcement or other monies held by the Security Trustee under the STID (excluding monies credited to the Excluded Accounts) will be applied by the Security Trustee in accordance with the Payment Priorities (see the section "*Debt Service Payment Account*" below).

Excluded Accounts

Although pursuant to the Security Agreement, YWS, the Issuer and YWSF have created first fixed charges over the Excluded Accounts in favour of the Security Trustee, the Security Documents provide that on and following an Acceleration of Liabilities (other than a Permitted Lease Termination, Permitted Hedge Termination, Permitted EIB Compulsory Prepayment Event or Permitted Share Pledge Acceleration), all monies held in any Swap Collateral Account, the O&M Reserve Accounts, the Debt Service Reserve Accounts, the Non-Participating YWSF Bond Reserve Account and any Cash Cover Account of YWS will be held by the Security Trustee on trust for the relevant Hedge Counterparty or guarantor thereof that has provided collateral for its obligations or, as the case may be, the relevant Liquidity Facility Providers whose commitments have been drawn to fund the O&M Reserve Accounts, the Debt Service Reserve Accounts or, as the case may be, the Non-Participating YWSF Bond Reserve Account or, as the case may be, the relevant Issuing Bank or relevant Authorised Credit Provider. The trust held by the Security Trustee over amounts in the O&M Reserve Accounts, the Debt Service Reserve Accounts or the Non-Participating YWSF Bond Reserve Account will be in the proportions that the relevant Liquidity Facility Providers' respective drawn amounts under the relevant O&M Reserve Facility Agreement or, as the case may be, DSR Liquidity Facility Agreement bear to the balance on the relevant O&M Reserve Account, the relevant Debt Service Reserve Account or, as the case may be, the Non-Participating YWSF Bond Reserve Account.

Accession of Additional Secured Creditors

The STID requires that, to the extent that YWS and/or the Issuer wishes any Authorised Credit Provider (or, in respect of Bonds, its Secured Creditor Representative) or other person to obtain the benefit of the Security, such Authorised Credit Provider or other person (other than Bondholders) must sign an Accession Memorandum whereby it agrees to be bound by the terms of the STID and the Common Terms Agreement, including those provisions which prohibit individual Secured Creditors from taking action without the consent of the Majority Creditors.

Subordinated Creditors

The STID also contains provisions restricting the rights of Subordinated Creditors in respect of any Subordinated Debt of an Obligor from time to time. The STID contains mechanics requiring any creditors in respect of Subordinated Debt to accede to the STID as a Subordinated Creditor.

Entrenched Rights and Reserved Matters

As described above, modifications, consents and waivers will be agreed by the Security Trustee, in accordance with votes of the Majority Creditors (provided that the relevant Quorum Requirement has been met), subject to Entrenched Rights and Reserved Matters. Such modifications, consents and waivers will be binding on all of the Secured Creditors, subject to Entrenched Rights and Reserved Matters. No Entrenched Right or Reserved Matter will operate to override the provisions contained in the Common Terms Agreement which allow YWS (following a Periodic Review or as a result of any material change in the regulation of the water and wastewater industry in the UK) to amend any financial ratio contained within the covenants, Trigger Events or Events of Default **provided that** the Security Trustee (acting on the instructions of the Majority Creditors) agrees and the relevant ratings set out in the definition of Rating Requirement (in relation to the Bonds) have been affirmed by all Rating Agencies then rating the Bonds (**provided that** in circumstances where a Rating Agency is not willing to issue a rating affirmation due to its then prevailing policy regarding the issue of rating affirmations, YWS has certified in writing to the Security Trustee that, in its opinion (and where the relevant Rating Agency was prepared to consult with YWS this opinion is based on consultation with such Rating Agency) such amendment would not cause the ratings of the Bonds to be downgraded below the relevant ratings set out in the definition of Rating Requirement by such Rating Agency).

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

Entrenched Rights

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

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

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

(b) (i) would release any of the Security (unless at least equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the STID and the relevant Security Document; (ii) would adversely alter the rights of priority of, or the enforcement by, the relevant Class A Debt Provider (or, where applicable, its Secured Creditor Representative) under the Security Documents other than as expressly contemplated therein; (iii) would, in respect of a Class A Debt Provider, decrease the amount of that Class A Debt Provider's share of the Secured Liabilities which are secured by means of the Security; or (iv) would, in respect of a Class A Debt Provider, deprive such Class A Debt Provider of its status as a Secured Creditor;

(c) (i) would adversely change or would have the effect of adversely changing the Payment Priorities (including by amending any of the defined terms referred to in the Payment Priorities if to do so would have the aforementioned effect); (ii) would adversely change or would have the effect of adversely changing the ranking of the claims of the relevant Class A Debt Provider; or (iii) would change or would have the effect of changing any requirement set out in any

Finance Document that certain payments, applications or distributions should be made in accordance with the Payment Priorities;

(d) would change or would have the effect of changing: (i) the Entrenched Rights or the Reserved Matters (including by changing any relevant definitions) or the existence thereof; (ii) (where applicable) the relevant Class A Debt Provider's Entrenched Rights or Reserved Matters (including by changing any relevant definitions); (iii) any statement in any provision of any Finance Document that such provision is subject to an Entrenched Right or Reserved Matter; or (iv) the manner in which such Entrenched Rights or Reserved Matters may be exercised or the consequences of exercising such Entrenched Rights or Reserved Matters (in each case including any supplement to the Entrenched Rights of an Additional Secured Creditor as specified in the relevant Accession Memorandum);

(e) would change or would have the effect of changing: (i): (a) the definitions of "**Authorised Credit Facility**" or "**Authorised Credit Facilities**", "**Authorised Credit Provider**", "**Class A Debt Provider**", "**Class A DIG**", "**Class A DIG Representatives**", "**DIG Proposal**", "**DIG Directions Request**", "**DIG Representatives**", "**Existing Authorised Credit Facility**", "**Existing Authorised Credit Provider**", "**Finance Documents**", "**Majority Creditors**", "**Non-Participating YWSF Bond Voting Matters**", "**Qualifying Class A Debt**", "**Qualifying Class A Debt Provider**", "**Quorum Requirement**", "**Restricted Payment**", "**Restricted Payment Condition**", "**Secured Creditor**", "**Secured Liabilities**", "**STID Proposal**" or "**Voted Qualifying Class A Debt**"; or (b) the use of the relevant defined terms referred to above in any Finance Document in a manner which would affect the rights or interests of any Class A Debt Provider; (ii) those matters expressly requiring the consent, approval or agreement of, or directions or instructions from, or waiver by the Majority Creditors or the Security Trustee; (iii) the percentages of aggregate Outstanding Principal Amount of Qualifying Debt required to terminate a Standstill; or (iv) in the case of the EIB, the definitions of "**EIB Authorised Credit Facilities**", "**EIB Authorised Credit Finance Contracts**", "**EIB Amendment Agreement**" or "**Permitted EIB Compulsory Prepayment Event**";

(f) would or would be likely to have the effect of: (i) delaying the date fixed for payment of, or amounts in the nature of, principal, interest or Make-Whole Amount in respect of the relevant Class A Debt Provider's Class A Debt or of any fees or premia in respect of such principal, interest or Make-Whole Amount; or (ii) reducing the amount of, or amount in the nature of, principal, interest or Make-Whole Amount payable in respect of such Class A Debt or the amount of any fees or premia in respect of such principal, interest or Make-Whole Amount;

(g) in respect of a modification, consent or waiver proposed during a Default Situation only: (i) would bring forward the date fixed for payment of, or payment of amounts in the nature of, principal, interest or Make-Whole Amount in respect of any Class A Debt or any fees or premia in respect of such principal, interest or Make-Whole Amount; or (ii) would increase the amount of, or amount in the nature of, principal, interest or Make-Whole Amount payable on any date in respect of any Class A Debt or any fees or premia in respect of such principal, interest or Make-Whole Amount;

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

(i) would change or would have the effect of changing the currency of payment due under the relevant Class A Debt Provider's Class A Debt (other than due to the United Kingdom joining the euro);

(j) (subject to (k) below) would change or would have the effect of changing any Event of Default or the consequences of an Event of Default as set out in the Common Terms Agreement or any Trigger Event relating to financial ratios (excluding any change permitted by the Common Terms Agreement following a Periodic Review or any material change in the regulation of the water and sewerage industry in the United Kingdom (see the section "*Common Terms Agreement — General*" below)) or any of the Trigger Event consequences or any of the financial ratios or the Restricted Payments Condition;

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

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

(m) would change or would have the effect of changing any existing obligation of an Obligor to gross up any payment in respect of the relevant Class A Debt Provider's Class A Debt in the event of the imposition of withholding taxes;

(n) would change or would have the effect of changing: (i) the voting procedures under any Finance Document; (ii) the representation of the relevant Class A Debt Provider by a Class A DIG Representative under or in connection with any voting procedures; or (iii) any other matters requiring the consent of the relevant Class A Debt Provider under or in relation to any Finance Document;

(o) would approve an assignment of any rights or a transfer of any obligations of an Obligor under the STID or any other Common Agreement;

(p) would change or would have the effect of changing Clause 8.1.1 of the STID; or

(q) would change or would have the effect of changing the governing law or the dispute resolution clauses of any Finance Document,

where "**adversely**" means, in respect of any change to the Payment Priorities or other rights of priority, a change which has the effect of changing the priority of the Class A Debt Providers or any of them: (x) relative to each other; or (y) relative to any amount owed to any creditor ranking pari passu with or in priority to the Class A Debt Providers or any of them; or (z) relative to any amount owed to any creditor which ranks subordinate to the Class A Debt Providers or any of them, where such change would result in the relevant amounts ranking pari passu with, or in priority to, any amount owed to any Class A Debt Provider, provided that the creation of payments which rank subordinate in all respects to a Class A Debt Provider shall not be an adverse change in respect of such Class A Debt Provider.

The Entrenched Rights of the Class B Debt Providers mirror those rights applicable for Class A Debt Providers *mutatis mutandis* and more specifically include any proposed modification to, or consent or waiver under or in respect of the STID or any other Finance Document which:

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

(b) (i) would release any of the Security (unless at least equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the STID and the relevant Security Document; (ii) would adversely alter the rights of priority of, or the enforcement by, the relevant Class B Debt Provider (or, where applicable, its Secured Creditor Representative) under the Security Documents other than as expressly contemplated therein; (iii) would, in respect of a Class B Debt Provider, decrease the amount of that Class B Debt Provider's share of the Secured Liabilities which are secured by means of the Security; or (iv) would, in respect of a Class B Debt Provider, deprive such Class B Debt Provider of its status as a Secured Creditor;

(c) (i) would adversely change or would have the effect of adversely changing the Payment Priorities (including by amending any of the defined terms referred to in the Payment Priorities if to do so would have the aforementioned effect); (ii) would adversely change or would have the effect of adversely changing the ranking of the claims of the relevant Class B Debt Provider; or (iii) would change or would have the effect of changing any requirement set out in any Finance Document that certain payments, applications or distributions should be made in accordance with the Payment Priorities;

(d) would change or would have the effect of changing: (i) the Entrenched Rights or the Reserved Matters (including by changing any relevant definitions) or the existence thereof; (ii) (where applicable) the relevant Class B Debt Provider's Entrenched Rights or Reserved Matters (including by changing any relevant definitions); (iii) any statement in any provision of any Finance Document that such provision is subject to an Entrenched Right or Reserved Matter; or (iv) the manner in which such Entrenched Rights or Reserved Matters may be exercised or the consequences of exercising such Entrenched Rights or Reserved Matters (in each case including any supplement to the Entrenched Rights of an Additional Secured Creditor as specified in the relevant Accession Memorandum);

(e) would change or would have the effect of changing: (i): (a) the definitions of "**Authorised Credit Facility**" or "**Authorised Credit Facilities**", "**Authorised Credit Provider**", "**Class B Debt Provider**", "**Class B DIG**", "**Class B DIG Representatives**", "**DIG Proposal**", "**DIG Directions Request**", "**DIG Representatives**", "**Finance Documents**", "**Majority Creditors**", "**Qualifying Class B Debt**", "**Qualifying Class B Debt Provider**", "**Quorum Requirement**", "**Restricted Payment**", "**Restricted Payment Condition**", "**Secured Creditor**", "**Secured Liabilities**", "**STID Proposal**" or "**Voted Qualifying Class B Debt**"; or (b) the use of the relevant defined terms referred to above in any Finance Document in a manner which would affect the rights or interests of any Class B Debt Provider; (ii) those matters expressly requiring the consent, approval or agreement of, or directions or instructions from, or waiver by the Majority Creditors or the Security Trustee; or (iii) the percentages of aggregate Outstanding Principal Amount of Qualifying Debt required to terminate a Standstill;

(f) would or would be likely to have the effect of: (i) delaying the date fixed for payment of, or amounts in the nature of, principal, interest or Make-Whole Amount in respect of the relevant Class B Debt Provider's Class B Debt or of any fees or premia in respect of such principal, interest or Make-Whole Amount; or (ii) reducing the amount of, or amount in the nature of, principal, interest or Make-Whole Amount payable in respect of such Class B Debt or the amount of any fees or premia in respect of such principal, interest or Make-Whole Amount;

(g) in respect of a modification, consent or waiver proposed during a Default Situation only: (i) would bring forward the date fixed for payment of, or payment of amounts in the nature of, principal, interest or Make-Whole Amount in respect of any Class A Debt or Class B Debt or any fees or premia in respect of such principal, interest or Make-Whole Amount; or (ii) would

increase the amount of, or amount in the nature of, principal, interest or Make-Whole Amount payable on any date in respect of any Class A Debt or Class B Debt or any fees or premia in respect of such principal, interest or Make-Whole Amount;

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

(i) would change or would have the effect of changing the currency of payment due under the relevant Class B Debt Provider's Class B Debt (other than due to the United Kingdom joining the euro);

(j) (subject to (k) below) would change or would have the effect of changing any Event of Default or the consequences of an Event of Default as set out in the Common Terms Agreement or any Trigger Event relating to financial ratios (excluding any change permitted by the Common Terms Agreement following a Periodic Review or any material change in the regulation of the water and sewerage industry in the United Kingdom (see the section "*Common Terms Agreement — General*" below)) or any of the Trigger Event consequences or any of the financial ratios or the Restricted Payment Condition;

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

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

(m) would change or would have the effect of changing any existing obligation of an Obligor to gross up any payment in respect of the relevant Class B Debt Provider's Class B Debt in the event of the imposition of withholding taxes;

(n) would change or would have the effect of changing: (i) the voting procedures under any Finance Document; (ii) the representation of the relevant Class B Debt Provider by a Class B DIG Representative under or in connection with any voting procedures; or (iii) any other matters requiring the consent of the relevant Class B Debt Provider under or in relation to any Finance Document;

(o) would approve an assignment of any rights or a transfer of any obligations of an Obligor under the STID or any other Common Agreement;

(p) would change or would have the effect of changing Clause 8.1.1 of the STID; or

(q) would change or would have the effect of changing the governing law or the dispute resolution clauses of the Finance Documents,

where "**adversely**" means, in respect of any change to the Payment Priorities or other rights of priority, a change which has the effect of changing the priority of the Class B Debt Providers or any of them: (x) relative to each other; or (y) relative to any amount owed to any creditor ranking *pari passu* with or in priority to the Class B Debt Providers or any of them; or (z) relative to any amount owed to any creditor which ranks subordinate to the Class B Debt Providers or any of them, where such change would result in the relevant amounts ranking *pari passu* with, or in priority to, any amount owed to any Class B Debt Provider, **provided that** the creation of payments which rank subordinate in all

respects to a Class B Debt Provider shall not be an adverse change in respect of such Class B Debt Provider.

The Bond Trustee, the Security Trustee, the Finance Lessors, the Hedge Counterparties and the Financial Guarantors have certain other limited Entrenched Rights in relation to any provisions of the Finance Documents that generally affect them to a greater extent than others. As described under "*Non-Participating YWSF Bondholders*", the Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee have certain other limited Entrenched Rights.

Reserved Matters

Reserved Matters are matters which, subject to the Intercreditor Arrangements and the Common Terms Agreement, a Secured Creditor is free to exercise in accordance with its own facility arrangements and so are not exercisable by or by direction of the Majority Creditors.

Those Reserved Matters which each Ring-fenced Secured Creditor reserves to itself to decide are each and every right, power, authority and discretion of, or exercisable by, each such Ring-fenced Secured Creditor at any time:

(a) to receive any sums owing to it for its own account in respect of premia, fees, costs, charges, liabilities, damages, proceedings, claims and demands in relation to any Authorised Credit Facility to which it (or its Secured Creditor Representative) is a party (as permitted under the Common Terms Agreement);

(b) to make determinations of and require the making of payments due and payable to it under the provisions of the Authorised Credit Facilities to which it (or its Secured Creditor Representative) is a party (as permitted under the Common Terms Agreement);

(c) to exercise the rights vested in it or permitted to be exercised by it (or its Secured Creditor Representative) under and pursuant to the Common Terms Agreement and the STID;

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

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

(f) in the case of each Finance Lessor, to inspect the relevant Equipment, to make calculations under the financial schedules (or equivalent provisions thereunder relating to the calculations of Rental or termination sums) to the relevant Finance Lease and to terminate the relevant Finance Lease provided such termination is a Permitted Lease Termination;

(g) in the case of the EIB, to demand for prepayment under an EIB Authorised Credit Facility **provided that** such demand is a Permitted EIB Compulsory Prepayment Event;

(h) in the case of each Hedge Counterparty, to terminate the relevant Hedging Agreement provided such termination is a Permitted Hedge Termination; and

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

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

include rights vested in it pursuant to the terms of the STID. As described under "*Non-Participating YWSF Bondholders*" above, the Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee retain the right to take Independent Enforcement Action in respect of the Non-Participating YWSF Bonds.

Substitution of the Issuer and/or YWSF

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

Intercompany Loan Arrangements

Issuer/YWS Loan Agreements and YWSF/YWS Loan Agreements

All Financial Indebtedness raised by the Issuer from time to time (whether through the issue of Bonds or raising of debt under DSR Liquidity Facilities (other than amounts necessary to fund the Debt Service Reserve Accounts and other than as described in "*Issuer/YWS Bond Loan Agreements*", below)) will be backed by an aggregate nominal amount of debt owed by YWS to the Issuer under a loan agreement (each an "**Issuer/YWS Loan Agreement**"). Each advance under an Issuer/YWS Loan Agreement will relate to the principal amount of the relevant Sub-Class of Bonds issued by the Issuer on an Issue Date or the principal amount of debt raised under the relevant DSR Liquidity Facility. The Issuer's obligations to repay principal and pay interest on the Bonds are intended to be met primarily from the payments of principal and interest received from YWS under each Issuer/YWS Loan Agreement and, where it has hedged its exposure to such payments under a Hedging Agreement, from payments received by the Issuer under such Hedging Agreement. The business of YWS demonstrates the capacity to produce funds to service any payments due and payable under the Issuer/YWS Loan Agreements.

The Financial Indebtedness of YWSF (being incurred through the issue of the YWSF Bonds on their respective issue dates prior to the Closing Date and under the DSR Liquidity Facilities (other than amounts necessary to fund the Debt Service Reserve Accounts)) from time to time will be backed by an aggregate matching debt obligation owed by YWS to YWSF under a loan agreement (each a "**YWSF/YWS Loan Agreement**"). The advances documented under the initial YWSF/YWS Loan Agreement entered into on the Closing Date (the "**Initial YWSF/YWS Loan Agreement**") correspond to the principal amount of the relevant class of YWSF Bonds outstanding as at the Closing Date. YWSF's obligations to repay principal and pay interest on the YWSF Bonds were, as at the Closing Date, intended to be met primarily from the payments of principal and interest received from YWS under the Initial YWSF/YWS Loan Agreement and, where it has hedged its exposure to such payments under a Hedging Agreement, from payments received by YWSF under such Hedging Agreement. On 16 August 2018, the Issuer was substituted as the issuer of the bonds previously issued by Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited. At this point in time, certain of the YWSF/YWS Loan Agreements (the "**Transferred YWSF/YWS Loan Agreements**") were transferred from YWSF to the Issuer, to ensure that the payment flows on the bonds previously issued by Yorkshire Water Services Odsal Finance Limited continued to work (see "*Issuer/YWS Bond Loan Agreements*", below).

All advances to be made by the Issuer under the Issuer/YWS Loan Agreements or by YWSF or the Issuer under the YWSF/YWS Loan Agreements (as applicable) will be in a currency and in amounts and at rates of interest (plus a retained margin as applicable), set out in the relevant Final Terms or Drawdown Prospectus or Authorised Credit Facility or, if hedged by the Issuer or YWSF in accordance

with the Hedging Policy (see the section "*Hedging*" below), at the hedged rate and will have interest payment dates on the same dates as the related Bonds or YWSF Bonds (as the case may be) or advance under the relevant Authorised Credit Facility. Interest on each advance made under an Issuer/YWS Loan Agreement or YWSF/YWS Loan Agreement will accrue from the date of such advance. In addition, each advance will be repayable on the same date as the related Bonds or YWSF Bonds (as the case may be) or advance under the relevant Authorised Credit Facility.

Issuer/YWS Bond Loan Agreements

Payments due by the Issuer under the Class A Unwrapped Bonds previously issued by Yorkshire Water Services Odsal Finance Limited will be funded in part by payments made by YWS to the Issuer under the Transferred YWSF/YWS Loan Agreements (as described above). In order to ensure that the Issuer will have sufficient funds on each Payment Date in respect of the Class A Unwrapped Bonds, there are a sequence of loan agreements corresponding to each Class of Bonds previously issued by Yorkshire Water Services Odsal Finance Limited (the "**Issuer/YWS Bond Loan Agreements**").

The Issuer/YWS Bond Loan Agreements can be categorised as, in respect of each Class of Class A Unwrapped Bonds previously issued by Yorkshire Water Services Odsal Finance Limited on the Closing Date, a pair of loans consisting of: (i) an amortising loan with YWS as borrower and the Issuer as lender; and (ii) a discount (or accrued interest) loan with the Issuer as borrower and YWS as lender. In the case of any Class of Bonds previously issued by Yorkshire Water Services Odsal Finance Limited pursuant to the Exchange Offer where the principal amount of such Bonds exceeded the principal amount of the corresponding Exchanged YWSF Bonds and the interest payable on the Bonds was less than the interest payable on the corresponding Exchanged YWSF Bonds, this pairing of loans was reversed such that there is: (x) an amortising loan with the Issuer as borrower and YWS as lender; and (y) a discount (or accrued interest) loan with YWS as borrower and the Issuer as lender. In the case of any Class of Bonds previously issued by Yorkshire Water Services Odsal Finance Limited pursuant to the Exchange Offer where both the principal amount of and the interest payable on such Bonds exceeds the principal amount of or the interest payable on the corresponding Exchanged YWSF Bonds, the Issuer is the lender and YWS the borrower in respect of both the amortising loan and the discount (or accrued interest) loan. As an exception to this categorisation, in respect of any 2010 Bonds, which were exchanged for Class A Unwrapped Bonds due 2023 previously issued by Yorkshire Water Services Odsal Finance Limited, there is a single loan agreement under which YWS and the Issuer made a series of loans and repayments in the capacity as both lender and borrower (as applicable). Where the Issuer is acting as lender and interest is payable under the relevant Issuer/YWS Bond Loan Agreement, it will receive a margin payable by YWS broadly equating to 1 basis point per annum on the relevant principal amount outstanding.

As described under "*Security Trust and Intercreditor Deed - Modifications, Consents and Waivers*" above, YWS and/or the Issuer may propose amendments to the terms of the Issuer/YWS Bond Loan Agreements (including the payment provisions) in order to ensure that the economic effect of such loan agreements achieves the position described above and the Security Trustee shall concur with such amendments subject to certain conditions contained in the STID being satisfied.

The obligations of YWS under each Issuer/YWS Loan Agreement, each Issuer/YWS Bond Loan Agreement and under each YWSF/YWS Loan Agreement are secured pursuant to the Security Agreement, and such obligations will be guaranteed by YWH in favour of the Security Trustee, who holds the benefit of such security on trust for the Secured Creditors (including the Issuer and YWSF) on the terms of the STID (see "*Security Agreement*" below).

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

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

Each Issuer/YWS Loan Agreement, Issuer/YWS Bond Loan Agreement and each YWSF/YWS Loan Agreement is governed by English law.

Fees Generally

The Issuer is responsible for paying the properly incurred fees and expenses of, amongst others, the Bond Trustee, the Paying Agents, the Registrar, the Transfer Agents, the Agent Bank, the Arranger, the Bond Trustee's legal advisers, the Issuer's legal advisers and the Arranger's legal advisers and certain fees due to liquidity providers.

YWS is responsible for paying the fees and expenses of the Security Trustee together with the other Secured Creditors.

YWS: (i) by way of facility fees under the Issuer/YWS Loan Agreements, pays to the Issuer amounts equal to the amounts required by the Issuer to pay its ongoing fees, expenses and any and all sums due to any Financial Guarantor under the Finance Documents; (ii) by way of facility fees under the Issuer/YWS Bond Loan Agreements, pays to the Issuer amounts equal to the amounts required by the Issuer to pay its ongoing fees, expenses and any and all sums due to any Financial Guarantor under the Finance Documents; and (iii) by way of facility fees under the YWSF/YWS Loan Agreements (other than the Transferred YWSF/YWS Loan Agreements), pays to YWSF amounts required by YWSF to pay its ongoing fees and expenses and any and all sums due to the YWSF Financial Guarantor under the YWSF Bonds.

Common Terms Agreement

General

Each of the Finance Lessors, the Hedge Counterparties, the Security Trustee, the Cash Manager, the Standstill Cash Manager, the Existing Authorised Credit Providers, the Senior Facilities Agent, the Initial Senior Facilities Arrangers, each Obligor, the Bond Trustee, the Participating YWSF Bond Trustee, the Principal Paying Agent, the Transfer Agent, the Registrar and others entered into, on the Closing Date or subsequently by way of accession, the Common Terms Agreement. The Common Terms Agreement sets out the representations, covenants (positive, negative and financial), Trigger Events and Events of Default which will apply to each Authorised Credit Facility.

It is a term of the Common Terms Agreement that any representation, covenant (to the extent of being able to declare an Event of Default), Trigger Event and Events of Default contained in any document which is in addition to those in the Common Terms Agreement and any other Common Agreement and any other exception expressly set out in the Common Terms Agreement will be unenforceable (save for limited exceptions which will, among other things, include Permitted EIB Compulsory Prepayment Events, covenants relating to the purpose of an Authorised Credit Facility, covenants relating to indemnities, covenants to pay (including related payment mechanics), covenants relating to remuneration, costs and expenses, representations and covenants in each Class or Sub-Class of Bonds, "clean-down" provisions in any Revolving Credit Facility and certain provisions under the Hedging Agreements and the Finance Leases). The Common Terms Agreement further provides that no representation, covenant, Trigger Event or Event of Default will be breached or triggered as a result of the Permitted Post Closing Events (including, but not limited to, the payments of all amounts outstanding under the Acquisition Term Facility, certain transaction fees not paid on the Closing Date (if applicable) and any other payments as may be agreed by YWS and the Security Trustee in writing).

The Common Terms Agreement allows YWS (following a Periodic Review or any material change in the regulation of the water and sewerage industry in the United Kingdom) to amend any financial ratio

contained within the covenants, Trigger Events or Events of Default, **provided that** the Security Trustee (acting on the instructions of the Majority Creditors) agrees and the relevant ratings set out in the definition of Rating Requirement (in relation to the Bonds) have been affirmed by all Rating Agencies then rating the Bonds (**provided that** in circumstances where a Rating Agency is not willing to issue a rating affirmation due to its then prevailing policy regarding the issue of rating affirmations, YWS has certified in writing to the Security Trustee that, in its opinion (and where the relevant Rating Agency was prepared to consult with YWS this opinion is based on consultation with such Rating Agency) such amendment would not cause the ratings of the Bonds to be downgraded below the relevant ratings set out in the definition of Rating Requirement by such Rating Agency).

The Common Terms Agreement also sets out the cash management arrangements to apply to the YW Financing Group (see the section "*Cash Management*" below). The Common Terms Agreement also sets out the Hedging Policy with which each Hedging Agreement entered into must comply (see the section "*Hedging Policy*" below). It is a requirement of the Common Terms Agreement that future providers of Authorised Credit Facilities must also accede to the Common Terms Agreement and the STID.

A summary of the representations, covenants, Trigger Events and Events of Default to be included in the Common Terms Agreement is set out below.

Representations

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

(i) its corporate status, power and authority and certain other legal matters;

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

(iii) no event having occurred or circumstance having arisen since the date of the last Financial Statements which has a Material Adverse Effect (except for any announcement of K from time to time);

(iv) no Event of Default or Potential Event of Default being outstanding or will result from entry into and performance under the Transaction Documents and no other event or circumstance is outstanding which constitutes (or with the expiry of a grace period, the giving of a notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which would have a Material Adverse Effect;

(v) it obtaining all necessary consents and approvals;

(vi) its ownership of, or interests in, the assets over which it has created Security Interests under the Security Documents and which are material to the operation of its Business;

(vii) maintaining all necessary insurances;

(viii) there being no insolvency event in relation to it (other than any proceeding or claim which is being contested in good faith and is not outstanding for longer than 45 days);

(ix) the conduct of its business not violating any judgment, law or regulation;

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

(xi) under the laws of its jurisdictions of incorporation and tax residence in force on the Closing Date, it is not (other than as disclosed) being required to make any deduction or withholding from any payment of interest under the Finance Documents;

(xii) subject to reservations of law, the claims of the Secured Creditors ranking prior to the claims of its other unsecured and unsubordinated creditors;

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

(xiv) save as otherwise disclosed herein (or in any updated Prospectus or supplement hereto) no litigation proceedings current, pending or threatened;

(xv) compliance with environmental laws;

(xvi) all arrangements or contracts with any person being on an arm's length basis;

(xvii) on the Closing Date, no member of the YW Financing Group being liable in respect of any Financial Indebtedness that is not Senior Debt, except for certain Permitted Financial Indebtedness;

(xviii) on the Closing Date, the shares over which Security will be granted pursuant to the Security Agreement are validly issued, fully paid, non-assessable and freely transferable and constitute shares in the capital of limited companies, and there are no moneys or liabilities outstanding or payable in respect of any such share;

(xix) as at the Closing Date, the aggregate market value of Excluded Property of the Chargors does not exceed 5 per cent. of RCV;

(xx) in the case of YWS, it having the necessary Intellectual Property Rights to carry on its Appointed Business;

(xxi) in the case of YWS, it being unaware of any Special Administration Order having been made in respect of it;

(xxii) in the case of YWS, assumptions used in respect of financial ratio calculations, projections and calculations having been made in good faith, after careful consideration and materially consistent with Applicable Accounting Principles and applicable Good Industry Practice; and

(xxiii) in respect of any offering of securities in a transaction exempt from the registration requirements of the Securities Act, pursuant to section 4(2) of the Securities Act: (i) compliance with U.S. federal securities law (for example, limiting communications with US investors); (ii) conduct of YWS's business as it may relate to US legislation (for example, compliance with US trade sanctions and money laundering laws); and (iii) compliance with UK and US pension obligations.

Additionally, each of YWH, Yorkshire Water Services Odsal Holdings Limited, YWSF, Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited represented that its activities have been limited prior to the Closing Date to support their bankruptcy remote status. The Issuer represented, on the date of its accession to the Common Terms Agreement

and STID, that its activities have been limited prior to such accession date to support its bankruptcy remote status.

It should be noted that following the 2018 Reorganisation, Yorkshire Water Services Odsal Holdings Limited, Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited are no longer party to the Finance Documents.

Covenants

The Common Terms Agreement contains certain positive, negative and financial covenants from each of the Obligors. A summary of the covenants which are included in the Common Terms Agreement (subject, in some cases, to agreed exceptions, *de minimis* amounts and qualifications as to materiality and reservations of law) is set out below in the sections "*Information Covenants*", "*General Covenants*" and "*Financial Covenants*".

Information Covenants

- YWS undertakes to provide, from time to time, certain information including:
  - (a) information, which would reasonably be expected to be material to an Authorised Credit Provider, which it supplies to Ofwat;
  - (b) details of proposed material changes to the Instrument of Appointment or any proposed changes to the constitutional documents;
  - (c) details of any investigations or proceedings;
  - (d) any notice (including an Enforcement Order) from any governmental authority or industry regulator;
  - (e) a semi-annual Investors' Report;
  - (f) certain other material information about the business and financial condition of each of the Obligors as may be requested or required to be delivered from time to time; and
  - (g) information in relation to any announcement of K.
- Each Obligor undertakes to provide, within certain agreed timeframes, certain information including:
  - (a) its audited unconsolidated financial statements and (in respect of YWS only) its unaudited unconsolidated interim financial statements;
  - (b) copies of all material documents despatched by it to its creditors (other than in the ordinary course of its business);
  - (c) details of any litigation or other proceedings which are current, threatened or pending;
  - (d) details of any Obligor placed on credit watch with negative implications with a view to a possible downgrade and/or any Wrapped Bonds and/or any YWSF Wrapped Bonds or Unwrapped Debt of such Obligor being below Investment Grade and any non-compliance with any law or regulation or the occurrence of an emergency;
  - (e) notification of any Default or Potential Trigger Event;
  - (f) details of any event which could give rise to an insurance claim in excess of 0.25 per cent. of RCV; and
  - (g) details of any event which would be reasonably likely to have a Material Adverse Effect and, where relevant, the Periodic Information relating to it.

- Each of YWS, YWSF, and the Issuer undertakes, among other things:

  (a) to supply a Compliance Certificate to be accompanied by computations made in respect of such historical and forward-looking financial ratios as required by the Common Terms Agreement;

  (b) to permit the Security Trustee to investigate the calculations contained in any Compliance Certificate; and

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

General Covenants

- Each Obligor undertakes, among other things:

  (a) to maintain its corporate status;

  (b) to ensure that the secured claims of Secured Creditors against it under the Finance Documents will rank prior to the claims of all its other unsecured and unsubordinated creditors;

  (c) to operate and maintain its business in a safe, efficient and business-like manner and in accordance with its memorandum and articles of association and the Finance Documents and, in the case of YWS, the Instrument of Appointment, the WIA and Good Industry Practice (taking its Business as a whole);

  (d) to ensure that the corporate ownership structure of the YW Financing Group (other than the ownership or Control of YWH) remains as at the date of the Common Terms Agreement (other than any Permitted Acquisitions or Permitted Disposals);

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

  (f) not to acquire or invest, other than Permitted Acquisitions, Authorised Investments and Permitted Joint Ventures or as permitted by the Transaction Documents or with the consent of the Security Trustee;

  (g) not to, or to permit any Permitted Joint Venture to, be a creditor in respect of any Financial Indebtedness or issue any guarantee or indemnity in respect of the obligations of any other person in respect of Financial Indebtedness (subject to certain exceptions, including pursuant to the First Kelda Holdco Loan and the Second Kelda Holdco Loan);

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

  (i) not to enter into any Treasury Transaction other than: (i) in the case of the Issuer, YWS or YWSF pursuant to Hedging Agreements; (ii) any Treasury Transactions entered into between Obligors; and/or (iii) Treasury Transactions entered into by YWS in the ordinary course of its business to manage risk inherent in its business for non-speculative purposes only and not in respect of any Financial Indebtedness;

  (j) outside the ordinary course of its business and except for in connection with a Permitted Tax Loss Transaction or the YWS VAT Group or pursuant to any Finance Lease Document, not to enter, without the consent of the Security Trustee, into any

arrangements with any person (other than a taxation authority in respect of the taxation liabilities of such Obligor or any other Obligor or pursuant to the Finance Documents) relating to Tax;

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

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

(m) to pay all Taxes for which an Obligor is primarily liable;

(n) other than in respect of Permitted Disposals, not to create or allow to exist any Security Interest on any of its present or future revenues or assets other than Permitted Security Interests, nor create or enter into any restriction or prohibition on the creation or granting of, any Security Interest on any of its assets except as permitted by the Finance Documents, nor create or permit to exist any further Security Interest over all or any of its present and future revenues, equipment or assets as security for any Permitted Financial Indebtedness other than in favour of the Security Trustee to be held upon the terms of the STID;

(o) not to: (A): (i) dispose of any of its assets on terms where it is or may be leased to or re-acquired or acquired by an associate other than Permitted Disposals or (in the case of YWS) pursuant to a Finance Lease; or (ii) dispose of any of its receivables (other than Permitted Disposals); or (iii) purchase any asset on terms providing for (or likely to have the substantive effect of) a retention of title or a conditional sale, in circumstances where the primary purpose is raising Financial Indebtedness or financing the acquisition of an asset; nor (B) enter into any such transaction in (A) above where the primary purpose is not raising finance to the extent that the consideration in respect of such transaction is not received in cash in full at the time and exceeds 0.1 per cent. of RCV in aggregate at any time;

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

(q) (in the case of the Exchange Issuer only) not to sell, transfer or otherwise dispose of any of the Exchanged YWSF Bonds at any time, other than pursuant to the creation of a Permitted Security Interest;

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

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

- Additionally, YWH undertakes, amongst other things:

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

Group Debt Service Distributions (if any); (E) carrying out any Permitted Post Closing Events; and (F) providing management services to members of the YW Financing Group from time to time;

(b) not to own any asset or incur any liabilities except for the purposes of carrying on its business in accordance with the Finance Documents;

(c) not to incur Financial Indebtedness (other than certain categories of Permitted Financial Indebtedness and only to the extent that Subordinated Debt is entered into with another member of the Kelda Group) to any member of the Kelda Group or any Affiliate or be a lender in respect of Financial Indebtedness of any member of the Kelda Group or any Affiliate unless the occurrence of such Financial Indebtedness is in compliance with the Restricted Payment Condition; and

(d) not to make any Restricted Payments otherwise than in accordance with the Finance Documents and out of monies received by it, directly or indirectly, from YWS in the case of YWH which have been properly paid by YWS as a Distribution or as set out under the Common Terms Agreement.

- YWS further undertakes to maintain at least three non-executive directors who are not employees or directors of any Associate (save as disclosed in writing to the Security Trustee on the Closing Date or as otherwise approved by the Security Trustee).
- Additionally, YWS undertakes, among other things:

  (a) to ensure that the nature of its business is limited to the Business;

  (b) to conduct its Appointed Business in the name of YWS or under any such other name or names (but not through a separate legal entity) as YWS shall determine and to ensure that separation of the YW Financing Group from any member of the Non-YW Financing Group (or Associate thereof) is maintained at all times;

  (c) not to permit, agree to or recommend any suspension or the abandonment of all or a material part of the operation of its Appointed Business;

  (d) if it exceeds the Permitted Non-Appointed Business Limits, to dispose of or reduce all or part of its Permitted Non-Appointed Business within six months of the date on which the Permitted Non-Appointed Business Limits are first exceeded so that the Permitted Non-Appointed Business Limits are complied with on the next Calculation Date immediately following the expiry of the relevant six-month period;

  (e) to comply in all material respects with the Instrument of Appointment;

  (f) not to agree to any amendment or variation of the Instrument of Appointment;

  (g) to comply with applicable relevant Environmental Laws and Environmental Approvals applicable to it and to notify the Security Trustee of any Environmental Claims;

  (h) to effect and maintain those insurances in connection with its Business as are required under the Common Terms Agreement;

  (i) to procure that any Outsourcing Agreement or Capex Contract entered into on and from the Closing Date complies with the Public Procurement Rules (if such Outsourcing Agreement or Capex Contract would be an agreement to which the Public Procurement Rules would apply) and the Outsourcing Policy;

(j) to ensure it has adequate financial and management resources to enable it to discharge its core obligations under the Instrument of Appointment;

(k) (A) following receipt of notice of termination of the Instrument of Appointment, use its reasonable endeavours to ensure that: (i) a Transfer Scheme reasonably satisfactory to the Security Trustee is agreed between YWS, the transferee and Ofwat by a date within two years of the giving of such notice; (ii) any such Transfer Scheme will not be materially prejudicial to the Secured Creditors; and (iii) ensure that the Security Trustee is kept fully informed of the consultation process with Ofwat and is consulted in relation thereto if YWS becomes subject to any Transfer Scheme; and (B) subject to its obligations under the WIA, not to agree to any Transfer Scheme without the consent of the Security Trustee;

(l) as soon as reasonably practicable, to apply to Ofwat for an interim determination when permitted under the Instrument of Appointment where it would be prudent and in the best commercial interests of YWS to do so;

(m) to levy charges to customers which, together with other available amounts, are as far as possible sufficient, within the constraints of the current price limit framework or other regulatory requirements, to enable YWS to meet its operational, investment and financial obligations under the Instrument of Appointment and its obligations in respect of Financial Indebtedness; and

(n) if the Account Bank or any DSR Liquidity Facility Provider no longer maintains the Minimum Short-Term Rating with Moody's or Fitch, in accordance with the requirement to act with prudent treasury management policies, to consult with Moody's and / or Fitch. If Moody's and / or Fitch indicate to YWS that they are reasonably likely to downgrade the then current rating of the Bonds, unless, in the case of the Account Bank, the Account Bank is replaced, or, in the case of a Liquidity Provider, such Liquidity Provider is replaced or its commitment drawn, then the relevant Obligor shall exercise its rights to effect such replacement or drawing as the case may be.

- Additionally, YWS, YWSF, the Issuer undertake, among other things:

(a) to each use its reasonable endeavours to ensure that it maintains a published underlying rating in respect of the Wrapped Bonds and the YWSF Wrapped Bonds and a credit rating in respect of the Unwrapped Bonds and YWSF Unwrapped Bonds with at least two of the Rating Agencies as the Security Trustee and YWS shall agree, in each case, of Investment Grade;

(b) only to:

(1) implement Deferrals of K at a time when no Trigger Event is subsisting, no Event of Default is subsisting or if required by Ofwat;

(2) other than in the case of Permitted Post Closing Events or any Intra-Group Debt Service Distribution, make any payment in respect of Subordinated Debt or pay any Distribution which would be a Restricted Payment if each of the following requirements is met:

(A) in the case of a Distribution only, the payment is made after a board meeting has been held approving such Distribution or dividend;

(B) the aggregate amount of any such payment(s) that may be paid is no higher than the Proposed Payment Amount (as defined below);

(C) on the date of such payment:

(a) no withdrawals have been made from the Issuer's, or, as the case may be, YWSF's Debt Service Reserve Accounts or YWSF's Non-Participating YWSF Bond Reserve Account pursuant to Schedule 11 (*Cash Management*) and no drawings are outstanding under the DSR Liquidity Facilities, other than Standby Drawings;

(b) each of the Senior RAR and the Class A RAR for each Test Period (after deducting an amount equal to the proposed payment(s) (the "**Proposed Payment Amount**") from available cash), as certified by the Issuer, YWSF and YWS in the Compliance Certificate most recently delivered to the Security Trustee and each Rating Agency, is less than or equal to

(i) prior to the occurrence of the Permitted Non-Participating Financial Indebtedness Trigger: (a) in the case of the Senior RAR, 0.82:1; and (b) in the case of the Class A RAR, 0.72:1;

(ii) following the occurrence of the Permitted Non-Participating Financial Indebtedness Trigger: (a) in the case of the Senior RAR, 0.85:1; and (b) in the case of the Class A RAR, 0.75:1; and

(iii) no Default subsists or would result from the payment and those representations required to be repeated on each payment date are, and will following such payment remain, correct in all material respects **provided that** if such Default arises as a result of a notice to terminate the Instrument of Appointment having been served then such Default has deemed to be cured if an independent financial adviser has certified to the Security Trustee that a Transfer Scheme as defined in Schedule 2 of the WIA or other satisfactory security has been established that will not be materially prejudicial to the interests of Class A Debt Providers or Class B Debt Providers (as the case may be); and

(iv) no underlying rating in respect of the Class A Wrapped Bonds or the YWSF Wrapped Bonds and each credit rating in respect of the Class A Unwrapped Bonds or the YWSF Unwrapped Bonds has been placed on credit watch with negative implications where it is reasonably likely that such underlying rating or credit rating will fall below Investment Grade;

(c) in the case of YWS, not to make an Intra-Group Debt Service Distribution unless certain conditions are satisfied;

(d) to inform the Security Trustee of any change to the Auditor, as soon as reasonably practicable;

(e) to only replace the Auditor without the prior written approval of the Security Trustee if the replacement Auditor is a firm of independent public accountants of international standing;

(f) not to change its financial year end without the prior written consent of the Security Trustee; and

(g) to enter into the hedging agreements contemplated in the Hedging Policy in accordance with the terms of the Hedging Policy.

- Additionally, each of the Issuer, YWSF and, in the case of paragraphs (b) and (f) below, YWS undertakes, among other things:

(a) to restrict its business to certain matters in accordance with the Finance Documents;

(b) not to enter into any Authorised Credit Facility (other than in respect of any Subordinated Debt) unless following such entry into such Authorised Credit Facility:

(i) the sum of:

(1) the aggregate nominal outstanding Financial Indebtedness of the YW Financing Group which has an expected maturity falling within any period of 24 consecutive months (from and including the first day of any 24 month period to but excluding the day falling 24 months later) expressed as a percentage of RCV as at the proposed date of entry into such Authorised Credit Facility; and

(2) the aggregate accretions by way of indexation at the Relevant Inflation Rate to each Relevant Termination Date under any RPI Linked Hedging Agreement which:

(A) may be terminated at the election of the applicable Hedge Counterparty (taking into account the earliest optional termination date only);

(B) has a scheduled termination date; or

(C) will terminate pursuant to any mandatory termination provision specified in the relevant Hedging Agreement,

in each case within any period of 24 consecutive months (from and including the first day of any 24 month period to but excluding the day falling 24 months later) (any termination date falling within such period being a "**Relevant Termination Date**") each expressed as a percentage of RCV (where (1) if the Relevant Termination Date falls prior to the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for such Relevant Termination Date indexed to the Relevant Termination Date at the rate of inflation assumed by YWS in its most recent YWS Business Financial Model for such 24 month period, such rate of inflation the "**Relevant Inflation Rate**"), and (2) if the Relevant Termination Date falls after the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for the end of the current Periodic Review Period indexed to the Relevant Termination Date at the Relevant Inflation Rate),

shall not exceed 20 per cent.; and

(ii) the sum of:

(1) the aggregate nominal outstanding Financial Indebtedness of the YW Financing Group which has an expected maturity falling within the period from one Periodic Review to the next Periodic Review expressed as a percentage of RCV as at the proposed date of entry into such Authorised Credit Facility; and

(2) the aggregate accretions by way of indexation at the Relevant Inflation Rate to each Relevant Termination Date under any RPI Linked Hedging Agreement which:

(A) may be terminated at the election of the applicable Hedge Counterparty (taking into account the earliest optional termination date only);

(B) has a scheduled termination date; or

(C) will terminate pursuant to any mandatory termination provision specified in the relevant Hedging Agreement,

in each case within the period from one Periodic Review to the next Periodic Review (any termination date falling within such period being a Relevant Termination Date) each expressed as a percentage of RCV (where (1) if the Relevant Termination Date falls prior to the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for such Relevant Termination Date; and (2) if the Relevant Termination Date falls after the end of the current Periodic Review Period, the RCV shall be that projected by Ofwat for the end of the current Periodic Review Period indexed to the Relevant Termination Date at the rate of inflation assumed by YWS in its most recent YWS Business Financial Model for such Periodic Review Period, such rate of inflation (the Relevant Inflation Rate)),

does not exceed 40 per cent. (adjusted and increased proportionately to the extent that the period from one Periodic Review to the next Periodic Review is greater than 5 years),

and, for the purposes of these paragraphs (b)(i) and (ii), "expected maturity" shall include any Financial Indebtedness that would, in the ordinary course, be expected to be repaid in full as a result of any Subordinated Step-up Fee Amounts or other extraordinary payment being required to keep such Financial Indebtedness outstanding;

(c) to use all reasonable endeavours to procure and maintain the admission of all listed Bonds for trading on the London Stock Exchange;

(d) to procure that the Principal Paying Agent notifies the Bond Trustee if it does not receive the full amount in the correct currency in respect of any payment in respect of the Bonds on or before the due date for such payment;

(e) to give notice of certain events to the Bond Trustee and Bondholders in relation to the Bonds and payments in respect of the Bonds;

(f) while any of the Bonds remain Outstanding, to procure that notice is given to each of the Rating Agencies of: (A) any proposed amendment to the Finance Documents; (B)

the Bonds of any Sub-Class being repaid in full; (C) the termination of the appointment of the Cash Manager; (D) the appointment of a replacement Bond Trustee or Security Trustee or any new or replacement Agents; (E) any Default; (F) the taking of Enforcement Action; (G) the occurrence of any YWH Change of Control; or (H) the establishment or acquisition of any Permitted Subsidiary, in each case, promptly after the Issuer, YWSF or YWS becoming aware of the same; and

(g) to give notice of certain events in relation to the Bonds to the Rating Agencies.

Financial Covenants

(i) YWS undertakes, among other things:

(a) to deliver, with each Compliance Certificate and each Investors' Report a statement setting out details of the calculation of the following ratios calculated as at the Calculation Date immediately prior to the date of the delivery of that Compliance Certificate:

(1) the Class A ICR for each Test Period;

(2) the Class A Adjusted ICR for each Test Period;

(3) the Senior Adjusted ICR for each Test Period;

(4) a Class A Average Adjusted ICR for each Test Period;

(5) the Senior Average Adjusted ICR for each Test Period;

(6) the Class A RAR for each Test Period;

(7) the Senior RAR for each Test Period;

(8) the Conformed Class A Adjusted ICR for each Test Period;

(9) the Conformed Senior Adjusted ICR for each Test Period;

(10) the Conformed Class A Average Adjusted ICR for each Test Period;

(11) the Conformed Senior Average Adjusted ICR for each Test Period;

(12) the Re-profiled Class A ICR for each Test Period;

(13) the Re-profiled Class A Adjusted ICR for each Test Period;

(14) the Re-profiled Senior Adjusted ICR for each Test Period;

(15) the Re-profiled Class A Average Adjusted ICR for each Test Period; and

(16) the Re-profiled Senior Average Adjusted ICR for each Test Period,

(b) at each Periodic Review and on making each interim determination application, to apply to Ofwat for a price determination which, in the reasonable opinion of the YWS directors, would allow, at a minimum, a credit rating the same as the original credit rating in respect of the Class A Unwrapped Bonds and the YWSF Unwrapped Bonds and an underlying rating the same as the original underlying rating in respect of the Class A Wrapped Bonds and the YWSF Wrapped Bonds, in each case from each of the Rating Agencies.

(ii) Each of the Issuer and YWSF shall (and YWS will procure that each of the Issuer and YWSF shall) maintain:

(a) DSR Liquidity Facilities available for drawing in respect of Class A Debt which, when aggregated with all amounts (including the value of any Authorised Investments funded from such amounts) standing to the credit of the Class A Debt Service Reserve Accounts of the Issuer and YWSF are not less than the Class A Required Balance;

(b) DSR Liquidity Facilities available for drawing by YWSF in respect of Non-Participating YWSF Bonds (other than Exchanged YWSF Bonds) which, when aggregated with all amounts (including the value of any Authorised Investments funded from such amounts) standing to the credit of the Non-Participating YWSF Bond Reserve Account of YWSF are not less than the Non-Participating YWSF Bond Required Balance; and

(c) DSR Liquidity Facilities available for drawing in respect of Class B Debt which, when aggregated with all amounts (including the value of any Authorised Investments funded from such amounts) standing to the credit of the Class B Debt Service Reserve Account of the Issuer is not less than the Class B Required Balance.

(iii) YWS further undertakes to maintain an O&M Reserve and/or O&M Reserve Facility available for drawing which together with amounts standing to the credit of any O&M Reserve Account (including the value of any Authorised Investments funded from amounts standing to the credit of the O&M Reserve Accounts) amount to not less than the O&M Reserve Required Amount.

Trigger Events

The Common Terms Agreement also sets out certain Trigger Events which will include (subject to agreed exceptions, materiality qualifications, grace periods and remedies and as more particularly provided in the Common Terms Agreement) the occurrence of any of the following events:

(i) *Financial Ratios*

(a) the Class A RAR for any Test Period is or is estimated to be more than 0.75:1;

(b) the Senior RAR for any Test Period is or is estimated to be more than 0.90:1;

(c) the Class A Adjusted ICR for any Test Period is or is estimated to be less than 1.3:1;

(d) the Senior Adjusted ICR for any Test Period is or is estimated to be less than 1.1:1;

(e) the Class A Average Adjusted ICR is or is estimated to be less than 1.4:1;

(f) the Senior Average Adjusted ICR is or is estimated to be less than 1.2:1;

(g) the Conformed Class A Adjusted ICR for any Test Period is or is estimated to be less than 0.10:1;

(h) the Conformed Senior Adjusted ICR for any Test Period is or is estimated to be less than 0.10:1;

(i) the Conformed Class A Average Adjusted ICR for any Test Period is or is estimated to be less than 0.10:1;

(j) the Conformed Senior Average Adjusted ICR for any Test Period is or is estimated to be less than 0.10:1;

(k) the Re-profiled Class A Adjusted ICR for any Test Period is or is estimated to be less than 1.3:1;

(l) the Re-profiled Senior Adjusted ICR for any Test Period is or is estimated to be less than 1.1:1;

(m) the Re-profiled Class A Average Adjusted ICR for any Test Period is or is estimated to be less than 1.4:1; or

(n) the Re-profiled Senior Average Adjusted ICR for any Test Period is or is estimated to be less than 1.2:1.

(ii) *Debt Service Payment Account Shortfall*

The failure by YWS to pay the Monthly Payment Amount within five Business Days following the date on which such payment was scheduled to be made.

(iii) *Material Deviation in Projections*

On any Calculation Date, the estimated actual Capital Expenditure for the five-year period between the last Periodic Review and the next Periodic Review exceeds the Capital Expenditure for that period assumed by Ofwat for such period (as adjusted for the exceptions noted below) in respect of YWS by 10 per cent. or more. Allowable adjustments to the Capital Expenditure assumed by Ofwat are as follows:

(a) in respect of changes in Out-turn Inflation, including Variances in real construction prices from assumed construction prices;

(b) Variances that YWS has reasonable expectation will be added to the RCV through a Recognised Ofwat Mechanism by no later than the next Periodic Review Effective Date; and

(c) Variances attributable to investment in Major Capex Projects, where such projects were not reflected in the existing Periodic Review, but are the subject of discussions with Ofwat.

(iv) *Liquidity for Capital Expenditure and Working Capital*

If, as at any Calculation Date, the aggregate of: (i) YWS's operating cash flows including monies standing to the credit of the Operating Accounts available or forecast to be available to meet Capital Expenditure and working capital requirements for the next 12 months; and (ii) Authorised Credit Facilities (excluding Liquidity Facilities) available to be drawn in the next 12 month period, is less than the aggregate of: (a) YWS's forecast Capital Expenditure projected for the next 12 month period; (b) YWS's forecast working capital requirements projected for the next 12 month period; and (c) the amount the Issuer, YWSF or, as the case may be, YWS estimates, in its reasonable opinion, is equal to the net amount payable by the Issuer, YWSF or, as the case may be, YWS to a Hedge Counterparty following the exercise of an option to terminate a Treasury Transaction as permitted by the Hedging Policy.

(v) *Required Balance and Non-Participating YWSF Bond Required Balance of DSR Liquidity Facilities and Drawdown on O&M Reserve Facilities*

If, at any time, the aggregate of all amounts available for drawing under the DSR Liquidity Facilities in respect of Class A Debt and Class B Debt and all amounts standing to the credit of the Debt Service Reserve Accounts of the Issuer and YWSF (including the value of any Authorised Investments funded from amounts standing to the credit of the Debt Service Reserve Accounts) is less than the Required Balance (although it will not be a Trigger Event if it is triggered as a direct result of a banking error and remedied by such amount being repaid

within three Business Days without such repayment being funded by a further drawing under a DSR Liquidity Facility).

If, at any time, the aggregate of all amounts available for drawing under the DSR Liquidity Facilities in respect of Non-Participating YWSF Bonds (other than Exchanged YWSF Bonds) and all amounts standing to the credit of the Non-Participating YWSF Bond Reserve Account of YWSF (including the value of any Authorised Investments funded from amounts standing to the credit of the Non-Participating YWSF Bond Reserve Account) is less than the Non-Participating YWSF Bond Required Balance (although it will not be a Trigger Event if it is triggered as a direct result of a banking error and remedied by such amount being repaid within three Business Days without such repayment being funded by a further drawing under a DSR Liquidity Facility).

If, at any time, YWS draws down under an O&M Reserve Facility or YWS withdraws funds from its O&M Reserve Account, in either case to pay its operating or maintenance expenditure (excluding any drawing or repayment of any Standby Drawing in relation to an O&M Reserve Facility).

(vi) *Enforcement Order*

An Enforcement Order is issued under Part II, Chapter II of the WIA against YWS which would have a Material Adverse Effect if not complied with.

(vii) *Circumstances leading to a Special Administration Order*

Any published indication or occurrence of other circumstance that would reasonably be expected to lead to an application by Ofwat or the Secretary of State for a Special Administration Order to be made in respect of YWS.

(viii) *Termination of Instrument of Appointment*

The giving of a notice to terminate the Instrument of Appointment under the WIA.

(ix) *Event of Default*

An Event of Default is continuing.

(x) *Referral regarding Substantial Effects Clause*

A referral is made under sub-paragraph 14.2 of Condition B in Schedule 2 (*Substantial Effect Determination*) to the Instrument of Appointment (or any successor or equivalent paragraph) as a result of any materially adverse event.

(xi) *Audit Qualification*

The Auditor qualifies its report of any member of the YW Financing Group in a material manner which causes the financial ratios calculated in accordance with the Common Terms Agreement to not reflect the true position of YWS in a materially adverse manner.

(xii) *Adverse Governmental Legislation*

The final reading of new legislation impacting upon Relevant Undertakers (as that term is defined in the WIA) if such legislation would (if enacted) lead to a breach of the financial ratios set out above or cause a material deviation in projections as set out above (in each case, taking into account any actions available to YWS to mitigate or cure the same).

(xiii) *Modification or Replacement of Instrument of Appointment*

If within six months of an announcement setting out clear proposals (including a related timetable to effect such proposals) by Ofwat for the modification or replacement of the Instrument of Appointment which, if implemented, would have a Material Adverse Effect, YWS has not obtained confirmation from Ofwat that the proposed modification or replacement is not expected to be implemented or is expected to be implemented in a form which is not reasonably expected to have a Material Adverse Effect.

(xiv) *Conduct of Business*

The Permitted Non-Appointed Business Limits are breached.

(xv) *Adverse Final Determination of K*

A final determination of K by Ofwat which is reasonably likely to have a Material Adverse Effect (taking into account any remedies available to YWS).

(xvi) *Credit Rating Downgrade*

(a) The long-term shadow credit rating of any Class A Wrapped Bonds or YWSF Wrapped Bonds given by any two of the Rating Agencies is: (i) ascribed at or falls to BBB (S&P), Baa2 (Moody's) or BBB (Fitch) or below; or (ii) is withdrawn;

(b) the long-term credit rating of any Class A Unwrapped Debt by any two of the Rating Agencies is: (i) ascribed at or falls to BBB (S&P), Baa2 (Moody's) or BBB (Fitch) or below; or (ii) is withdrawn;

(c) the long-term shadow credit rating of the Class B Wrapped Bonds by any two of the Rating Agencies is: (i) ascribed at or falls below Investment Grade; or (ii) is withdrawn; or

(d) the long-term credit rating of any Class B Unwrapped Debt by any two of the Rating Agencies is: (i) ascribed at or falls below Investment Grade; or (ii) is withdrawn.

Each credit rating referred to above is the trigger credit rating for the relevant Class of Bonds.

(xvii) *Super-Senior RPI Linked Hedging Agreements*

On any Calculation Date, the aggregate amount of all accretions by indexation to the original notional amounts of any Super-Senior RPI Linked Hedging Agreements exceeds 6 per cent. of RCV as at that Calculation Date.

Trigger Event Consequences

Following the occurrence of a Trigger Event and at any time until such Trigger Event has been waived or deemed remedied in accordance with the Common Terms Agreement, certain consequences will result, including:

(i) no Obligor may make Restricted Payments and YWS must not declare and must stop any implementation of any Deferrals of K;

(ii) YWS must provide such information as may be properly requested by the Security Trustee. YWS must discuss with the Security Trustee (at a mutually convenient time and location) its plans for appropriate remedial action and the timetable for implementation of such action which must then be implemented by YWS;

(iii) the Security Trustee may commission an Independent Review to be conducted by technical advisers to the Security Trustee (appointed subject to prior consultation with YWS) to examine the causes of the relevant Trigger Event and recommend appropriate measures;

(iv) subject to prior notice to YWS, if practicable, the Security Trustee shall be entitled to discuss the relevant Trigger Event and any Remedial Plan with Ofwat; and

(v) restrictions on payments by YWS under Outsourcing Agreements and/or Capex Contracts with Associates which do not comply with the Outsourcing Policy.

Trigger Event Remedies

At any time when the Issuer, YWSF or YWS (as the case may be) believes that a Trigger Event has been remedied in accordance with the detailed provisions of the Common Terms Agreement, it must serve notice on the Security Trustee to that effect, and the Security Trustee must respond confirming that the relevant Trigger Event has, in its reasonable opinion, been remedied or setting out its reasons for believing that such Trigger Event has not been remedied (in which case, such event will continue to be a Trigger Event until such time as the Security Trustee is reasonably satisfied that the Trigger Event has been remedied).

Events of Default

The Common Terms Agreement contains a number of events of default (the "**Events of Default**") which will be Events of Default under each Finance Document (other than, in respect of the Hedge Counterparties, the Hedging Agreements). Subject, in some cases and where not otherwise stated below, to agreed exceptions, materiality thresholds and qualifications, reservations of law, grace periods and remedies, Events of Default include:

(a) non-payment of amounts payable under the Finance Documents;

(b) non-compliance with certain other obligations under the Finance Documents;

(c) material misrepresentation;

(d) non-payment of amounts payable (after the expiry of any originally applicable grace period) in respect of any Financial Indebtedness other than in respect of the Finance Documents and in excess of 0.1 per cent. of RCV in nominal amount;

(e) insolvency of any Obligor (other than YWS) or insolvency proceedings being commenced against any Obligor (other than YWS) or, in relation to YWS, an insolvency event or insolvency proceedings as set out further in the Common Terms Agreement occur(s) in relation to YWS;

(f) transfer, revocation or termination of the Instrument of Appointment;

(g) insufficient liquidity to meet YWS's forecast Capital Expenditure and working capital requirements projected for the next six month period;

(h) any Obligor repudiating a Finance Document or it becoming unlawful or ineffective to perform obligations under any Finance Document;

(i) a YWS Change of Control occurs;

(j) any of the Security ceasing to be in full force and effect;

(k) certain governmental action which would be reasonably likely to have a Material Adverse Effect;

(l) failure by any Obligor to comply with any judgment, attachment, sequestration, distress or execution being made, obtained or levied against the assets of any Obligor in respect of sums exceeding 0.1 per cent. of RCV;

(m) an Obligor other than YWS ceasing or threatening to cease to carry on its business or YWS ceasing or threatening to cease to carry on the Appointed Business;

(n) litigation being started against an Obligor or its assets or revenues which would be reasonably likely to be adversely determined and, if so adversely determined, would have a Material Adverse Effect;

(o) the Class A ICR for any Test Period is or is estimated to be less than 0.10:1; and/or

(p) the Senior RAR for any Test Period is or is estimated to be more than 0.95:1; and/or

(q) the Class A Adjusted ICR for any Test Period is or is estimated to be less than 1:1;

(r) the Conformed Class A Adjusted ICR for any Test Period is or is estimated to be less than 0.10:1;

(s) the Re-profiled Class A ICR for any Test Period is or is estimated to be less than 1.60:1; and/or

(t) the Re-profiled Class A Adjusted ICR for any Test Period is or is estimated to be less than 1:1.

In respect of each Event of Default requiring any action or discretion on the part of the relevant creditor, the Security Trustee will (save in respect of certain Entrenched Rights and Reserved Matters (see the section "*Entrenched Rights and Reserved Matters*" above)) act in accordance with the instructions of the Majority Creditors in accordance with the STID (see the section "*Security Trust and Intercreditor Deed*" above).

Immediately upon the notification to the Security Trustee of an occurrence of an Event of Default, a Standstill Period will commence in accordance with the STID (see the section "*Security Trust and Intercreditor Deed – Standstill*" above).

Conditions Precedent

The conditions precedent to among other things the signing of the Common Terms Agreement, the Closing Date and to the issue of Bonds after the Closing Date is all set out in a conditions precedent agreement (the "**CP Agreement**") as agreed between, among others, the Bond Trustee, the Security Trustee and the Obligors.

Cash Management

Accounts

The Common Terms Agreement requires YWS to open and maintain the following Accounts with the Account Bank:

(a) certain Operating Accounts;

(b) an O&M Reserve Account;

(c) a Debt Service Payment Account; and

(d) a Compensation Account.

The Issuer is required to open and maintain the following Accounts with the Account Bank:

(a) a Transaction Account;

(b) a Class A Debt Service Reserve Account;

(c) a Class B Debt Service Reserve Account (if required); and

(d) in the event it raises Permitted Financial Indebtedness denominated in a currency other than Sterling, an account denominated in such currency.

YWSF is required to open and maintain the following Accounts with the Account Bank:

(a) a Transaction Account;

(b) a Class A Debt Service Reserve Account; and

(c) a Non-Participating YWSF Bond Reserve Account.

YWH was required to open and maintain one chequing account only with the Account Bank.

Each of the Issuer, YWSF and YWS may also open and maintain an account (each a "**Swap Collateral Account**") into which any collateral provided by a Hedge Counterparty or guarantor thereof shall be deposited upon the relevant trigger occurring for the provision of such collateral to support the obligations of the Hedge Counterparty or guarantor under the terms of the appropriate Hedging Agreement.

Each of YWS and the Issuer may open and maintain a Cash Cover Account pursuant to the terms of an Authorised Credit Facility pursuant to which a letter of credit facility has been made available to YWS or the Issuer into which any amounts in respect of "cash cover" (as defined in the relevant Authorised Credit Facility) shall be deposited in accordance with the terms thereof. Any amounts standing to the credit of a Cash Cover Account shall be applied only in accordance with the terms of the relevant Authorised Credit Facility and the STID.

Each of the above accounts together with any other bank account of any Obligor are collectively referred to as the "**Accounts**". Each of the Accounts (other than any Cash Cover Accounts opened at another bank or financial institution in accordance with the Senior Facilities Agreement or any other Authorised Credit Facility) will be held with the Account Bank pursuant to the Account Bank Agreement. Each Obligor will agree in the Common Terms Agreement to comply with the Account Bank Agreement and the provisions of the Common Terms Agreement applying to its Accounts.

Operating Accounts

Under the Common Terms Agreement, YWS will ensure that all of its revenues (other than any Income on Authorised Investments which shall be credited to the Account from which the relevant Authorised Investment was made) will be paid into an Operating Account.

The Operating Accounts shall be the principal current accounts of YWS through which all operating and Capital Expenditure or any Taxes incurred by YWS and (subject to the terms of the Finance Documents) payments in respect of the Financial Indebtedness of the YW Financing Group which are not permitted to be satisfied out of monies credited to the Debt Service Payment Account shall be cleared (including any amounts payable by YWS upon the occurrence of a Permitted EIB Compulsory Prepayment Event (subject to the proviso contained in the definition of Permitted EIB Compulsory Prepayment Event), any amounts payable in respect of any Non-Participating YWSF Bonds and other permitted unsecured debt of YWS). YWS may make transfers at any time from one Operating Account to another, in its sole discretion. YWS may hold separate Operating Accounts for its Appointed Business and each of the trades entered into in connection with its Permitted Non-Appointed Business.

All operating expenditure of YWS will be funded: (a) through payments made directly into the Operating Accounts; and (b) through drawings made by YWS under any Authorised Credit Facility or other Permitted Financial Indebtedness, as and when required and permitted by the Finance Documents.

Proceeds in respect of property damage insurance (other than in respect of delay of start-up, business interruption or anticipated loss in revenue or third party claims) will also be paid by YWS into the Operating Accounts. On an ongoing basis, Capital Expenditure is funded out of monies standing to the credit of the Operating Accounts and/or (in relation to Capital Maintenance Expenditure), to the extent that the sums standing to the credit of the Operating Accounts are insufficient, an O&M Reserve Account.

All Distributions and Permitted Post Closing Events will be funded (directly or indirectly) out of monies standing to the credit of the Operating Accounts subject always to the satisfaction of all of the conditions set out in the Common Terms Agreement for the making of such payments.

On the Closing Date and annually thereafter on 31 March of each year (or, if such day is not a Business Day, the immediately preceding Business Day), YWS will calculate the Annual Finance Charge for the Pre-Test Period and for the period of 12 months commencing on the immediately following, 1 April, respectively, and details of such calculation will be included in the next following Investors' Report.

Under the Common Terms Agreement, YWS is required to, on the opening of business on the first Business Day of each month until the Discharge Date, transfer from the Operating Accounts to the Debt Service Payment Account an amount (the "**Monthly Payment Amount**") equal to $1/12^{th}$ of YWS's Annual Finance Charge for the relevant 12 month period **provided that** the aggregate of any interest accruing on and credited to the Debt Service Payment Account will be treated as a prepayment of future Monthly Payment Amounts payable during the relevant 12 month period. Accordingly, the Monthly Payment Amounts due for the remaining months of such 12 month period shall be reduced *pro rata* to reflect such prepayment.

YWS will recalculate the Annual Finance Charge and the Monthly Payment Amount if during the course of any relevant 12 month period, there occurs any increase (whether as a result of any increase in the rate of applicable interest, any drawing under any Authorised Credit Facility, any deferral of interest, any upwards adjustment of rentals under any Finance Lease, or otherwise) or decrease (whether as a result of any reduction in the rate of applicable interest, downwards adjustment of rentals under any Finance Lease or any prepayment or repayment of the debt under which the relevant liabilities arise or accrue or otherwise) in the Annual Finance Charge and shall adjust the Monthly Payment Amount for the remaining months in the relevant 12 month period, and details will be included in the next following Investors' Report.

YWS's O&M Reserve Account

YWS will ensure that the proceeds of any drawing by it under any O&M Reserve Facility Agreement (other than a Standby Drawing) are paid directly into YWS's O&M Reserve Account or an Operating Account.

Withdrawals from YWS's O&M Reserve Account will be permitted if: (i) such withdrawal is on account of operating and capital expenditure requirements that cannot be met from existing balances in the Operating Accounts; (ii) such withdrawal is for the purpose of transferring into an Operating Account any interest income earned from time to time on the O&M Reserve Accounts (including Income from any related Authorised Investments); or (iii) to the extent of any surplus O&M Reserves as certified by YWS to the Security Trustee and the Account Bank.

Debt Service Payment Account

YWS is required to ensure that each transfer of or in respect of the Monthly Payment Amount from the Operating Account is made directly into the Debt Service Payment Account.

The Common Terms Agreement provides that, on each Payment Date, monies credited to the Debt Service Payment Account shall be applied by YWS in the following order for the purpose of enabling the following payments ("**Permitted Payments**") to be made in the following order of priority (the "**Payment Priorities**") without double counting (**provided that**, any amounts applied by YWS in directly discharging an obligation of the Issuer or YWSF shall be treated as having simultaneously discharged YWS's corresponding obligation to pay on such Payment Date to the Issuer or, as the case may be, YWSF, the relevant facility fees, interest, principal, indemnity amounts and other sums due to the Issuer or, as the case may be, YWSF under the Issuer/YWS Loan Agreements or, as the case may be, the YWSF/YWS Loan Agreements and amounts applied by YWS in directly discharging the Issuer's obligations in respect of payments under the Class A Bonds originally issued by Yorkshire Water Services Odsal Finance Limited shall be treated as simultaneously having discharged YWSF's corresponding obligation to pay amounts due to the Issuer under the YWSF Bonds, YWS's corresponding obligation to pay amounts due to YWSF corresponding to such Exchanged YWSF Bonds under the Initial YWSF/YWS Loan Agreement and YWS's corresponding obligation (if applicable) to pay amounts due to the Issuer corresponding to such Class A Bonds under the Exchange Issuer/YWS Bond Loan Agreements and **provided further that**, the payment of the Issuer Profit Amount (as defined in the Master Definitions Agreement) under the Issuer/YWS Loan Agreements, and the YWSF Profit Amount (as defined in the Master Definitions Agreement) under the YWSF/YWS Loan Agreements (in each case, as specified therein) shall be paid at paragraphs (vi) and (xi) below and shall be transferred to the Transaction Account of the Issuer or, as the case may be, YWSF; any amounts payable by an Obligor pursuant to the terms of any Authorised Credit Facility in respect of "cash cover" (as defined in the Senior Facilities Agreement or any other relevant Authorised Credit Facility pursuant to which a letter of credit facility is provided) shall be discharged pursuant to item (vii) below (in respect of Class A Debt) or item (xii) below (in respect of Class B Debt) by payment of such amount to a Cash Cover Account of the relevant Obligor; any payments under items (iii) to (xix) shall be excluded to the extent such payments are due to a Subordinated Secured Creditor and shall instead be applied to items (xx) and (xxi) as applicable; and the distribution of amounts payable in respect of any Authorised Credit Facility as between the parties thereto shall be governed by the terms of the relevant Authorised Credit Facility and the obligations of any Obligor in relation thereto shall be discharged in accordance with such terms):

(i) *first* (to the extent there are insufficient monies standing to the credit of all other Accounts (other than any Excluded Account) and/or available for drawing under any Liquidity Facility), in or towards satisfaction of all of the YW Financing Group's operating and budgeted maintenance costs (except to the extent falling due under the Finance Documents);

(ii) *second*, *pro rata*, according to the respective amounts thereof: (a) in satisfaction of YWS's, or, as the case may be, the Issuer's obligation to pay such amounts, in or towards payment of the remuneration, costs and expenses of the Security Trustee and the Bond Trustee; and (b) in satisfaction of YWSF's obligation to pay such amounts, payment of the remuneration, costs and expenses of the Participating YWSF Bond Trustee in respect of the Participating YWSF Bonds;

(iii) *third*, *pro rata*, according to the respective amounts thereof in or towards satisfaction of: (a) the Issuer's obligation to pay such amounts, the remuneration, costs and expenses of the Agent Bank and each Paying Agent; (b) the Issuer's and YWSF's obligation to pay such amounts, the remuneration, costs and expenses of the Account Bank under the Account Bank Agreement and the remuneration, costs and expenses of each DSR Liquidity Facility Provider under the

relevant DSR Liquidity Facility Agreement; (c) the Issuer's obligation to pay such amounts, remuneration, costs and expenses of each O&M Reserve Facility Provider under the relevant O&M Reserve Facility Agreement; (d) the Issuer's and/or YWS's obligations to pay such amounts, the remuneration, costs and expenses of each Facility Agent and each Authorised Credit Provider under the relevant Authorised Credit Facility and the Standstill Cash Manager; (e) the remuneration, costs, expenses and fees of each Financial Guarantor pursuant to the relevant G&R Deed; and (f) YWSF's obligation to pay such amounts, the costs and expenses of YWSF in respect of the Participating YWSF Bonds being all amounts due by way of remuneration, costs and expenses to any issuing and paying agent, registrar, transfer agent or other agents in respect of the Participating YWSF Bonds;

(iv) *fourth*, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of: (a) the Issuer's and YWSF's obligations to pay all amounts of fees, interest and principal (other than any Subordinated Liquidity Facility Amounts) due or overdue to each DSR Liquidity Facility Provider under the relevant DSR Liquidity Facility Agreement; (b) the Issuer's obligation to pay all amounts of fees, interest and principal (other than Subordinated Liquidity Facility Amounts) due or overdue to each O&M Reserve Facility Provider under the relevant O&M Reserve Facility Agreement; and (c) all amounts of interest and principal due or overdue to each Authorised Credit Provider under the relevant Authorised Credit Facility to the extent that the Financial Indebtedness was incurred to fund a New Money Advance;

(v) *fifth*, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of all scheduled amounts payable to each Hedge Counterparty under any Super-Senior Interest Rate Hedging Agreement (subject to paragraph (vi) below);

(vi) *sixth*, *pro rata*, according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of interest (including the Lease Reserve Amounts and Adjusted Lease Reserve Amounts), recurring fees and commitment commissions due or overdue in respect of the Class A Debt (other than any amounts payable to Hedge Counterparties pursuant to paragraph (v) or this paragraph (vi)(b), (c) and (d), Subordinated Step-up Fee Amounts and Subordinated Authorised Loan Amounts); (b) any unscheduled amounts (including termination amounts) due and payable to each Hedge Counterparty under any Super-Senior Interest Rate Hedging Agreement (except to the extent required to be paid at paragraph (xv) below) or any reserves in respect thereof required to be paid to the Compensation Account; (c) all scheduled amounts payable to each Hedge Counterparty under any Pari Passu Interest Rate Hedging Agreement (subject to paragraph (vii)) (d) all scheduled amounts (other than principal exchange or final exchange amounts) payable to each Hedge Counterparty under any Currency Hedging Agreement in respect of Class A Debt and (subject to paragraph (xv) below and following termination of a Standstill Period other than due to remedy or waiver by the Majority Creditors of, or the revocation of, the Event of Default giving rise to the Standstill Period) all amounts payable to each Hedge Counterparty under any Currency Hedging Agreement in respect of Class A Debt; (e) all amounts of underwriting commissions due or overdue in respect of Class A Debt; (f) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant G&R Deed in respect of payments of interest on any Class A Wrapped Bonds or, as the case may be, the YWSF Wrapped Bonds guaranteed by such Financial Guarantor; and (g): (A) following the commencement of a Standstill Period and for so long as it continues (but excluding the application by the Security Trustee of any Ring-fenced Proceeds), first, all amounts payable to the Non-Participating YWSF Bond Trustee under or in relation to the Non-Participating YWSF Bonds and, secondly, all amounts payable under the Non-Participating YWSF Bonds in respect of interest due or overdue in respect of the Non-Participating YWSF Bonds; and (B) if the circumstances described in the paragraph entitled "*Payments Following*

Termination of Standstill and Permitted Share Pledge Acceleration" below arise, with respect to the application by the Security Trustee of Shared Proceeds only, first, all amounts payable to the Non-Participating YWSF Bond Trustee under or in relation to the Non-Participating YWSF Bonds and, secondly, all amounts payable under the Non-Participating YWSF Bonds in respect of interest due or overdue in respect of the Non-Participating YWSF Bonds;

(vii) *seventh, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of principal due or overdue in respect of Class A Debt (including, in respect of Finance Leases, those amounts (including any rental and capital sums) payable in respect thereof which do not fall within paragraph (vi) above and do not fall due as a result of the operation of any indemnity or fee reimbursement provision of a Finance Lease) (other than amounts payable to Hedge Counterparties pursuant to paragraph (vi)(b), this paragraph (vii)(b), (c) and (d) and paragraph (xv)); (b) all principal exchange or final exchange amounts due and payable to each Hedge Counterparty under any Currency Hedging Agreement in respect of Class A Debt; (c) any termination amounts or other unscheduled sums due and payable to each Hedge Counterparty under any Currency Hedging Agreement in respect of Class A Debt (except to the extent required to be paid at paragraph (xv) below) or any reserves in respect thereof required to be paid to the Compensation Account; and (d) any unscheduled amounts (including termination amounts) due and payable to each Hedge Counterparty under any Pari Passu Interest Rate Hedging Agreement (except to the extent required to be paid at paragraph (xv) below); (e) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant G&R Deed in respect of payments of principal on any Class A Wrapped Bonds or, as the case may be, the YWSF Wrapped Bonds; and (f): (A) following the commencement of a Standstill Period and for so long as it continues (but excluding the application by the Security Trustee of any Ring-fenced Proceeds), all amounts payable under the Non-Participating YWSF Bonds in respect of principal due or overdue in respect of the Non-Participating YWSF Bonds; and (B) if the circumstances described in the paragraph entitled "*Payments Following Termination of Standstill and Permitted Share Pledge Acceleration*" below arise, with respect to the application by the Security Trustee of Shared Proceeds only, all amounts payable under the Non-Participating YWSF Bonds in respect of principal due or overdue in respect of the Non-Participating YWSF Bonds;

(viii) *eighth*, in or towards satisfaction of any Make-Whole Amount due and payable on the Class A Debt;

(ix) *ninth,* pro rata according to the respective amounts thereof:

(a) if the Class A Required Balance is greater than zero, *pro rata*, in payment to: (A) the Class A Debt Service Reserve Account of the Programme Issuer until the aggregate balance of such account (including the value of any Authorised Investments funded from amounts standing to the credit of such Debt Service Reserve Account) and the aggregate available commitments under any DSR Liquidity Facilities available to the Programme Issuer in respect of Class A Debt is at least equal to the Issuer DSR Proportion of the Class A Required Balance; (B) the Class A Debt Service Reserve Account of the Exchange Issuer until the aggregate balance of such account (including the value of any Authorised Investments funded from amounts standing to the credit of such Debt Service Reserve Account) and the aggregate available commitments under any DSR Liquidity Facilities available to the Exchange Issuer in respect of Class A Debt is at least equal to the Exchange Issuer DSR Proportion of the Class A Required Balance; and (C) the Class A Debt Service Reserve Account of YWSF, until the aggregate balance of such account (including the value of any Authorised Investments funded from amounts standing to the credit of such Debt Service Reserve Account) and

the aggregate available commitments under any DSR Liquidity Facilities available to YWSF in respect of Class A Debt is at least equal to the YWSF DSR Proportion of the Class A Required Balance; and

(b) in payment to the Non-Participating YWSF Bond Reserve Account of YWSF until the aggregate balance on such account (including the value of any Authorised Investments funded from amounts standing to the credit of such Non-Participating YWSF Bond Reserve Account) and the aggregate available commitments under any DSR Liquidity Facilities available to YWSF in respect of the Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds) is at least equal to the Non-Participating YWSF Bond Required Balance;

(x) *tenth*, in payment to the Issuer's O&M Reserve Account until the sum of the O&M Reserve (including the value of any Authorised Investments funded from amounts standing to the credit of the O&M Reserve Accounts) and the aggregate of amounts available to be drawn under the O&M Reserve Facilities is at least equal to the O&M Reserve Required Amount;

(xi) *eleventh*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) interest and commitment commissions due or overdue in respect of the Class B Debt (other than any Subordinated Step-up Fee Amounts); (b) all scheduled amounts (other than principal exchange or final exchange amounts) payable to each Hedge Counterparty under any Currency Hedging Agreement in respect of Class B Debt and (subject to paragraph (xv) below and following termination of a Standstill Period other than due to remedy or waiver by the Majority Creditors of, or the revocation of, the Event of Default giving rise to the Standstill Period) all amounts payable to each Hedge Counterparty under any Currency Hedging Agreement in respect of Class B Debt; (c) all amounts of underwriting commissions due or overdue in respect of the Class B Debt; and (d) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant G&R Deed in respect of payments of interest on any Class B Wrapped Bonds guaranteed by such Financial Guarantor;

(xii) *twelfth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of principal due or overdue in respect of the Class B Debt; (b) all principal exchange or final exchange amounts due and payable to each Hedge Counterparty under any Currency Hedging Agreement in respect of Class B Debt; (c) any termination amounts or other unscheduled sums due and payable to each Hedge Counterparty under any Currency Hedging Agreement in respect of Class B Debt (except to the extent required to be paid at paragraph (xv) below) or any reserves in respect thereof required to be paid to the Compensation Account; and (d) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant G&R Deed in respect of payments of principal on any Class B Wrapped Bonds guaranteed by such Financial Guarantor;

(xiii) *thirteenth*, in or towards satisfaction of any Make-Whole Amount due and payable on the Class B Debt;

(xiv) *fourteenth*, in payment to the Class B Debt Service Reserve Account of the Programme Issuer until the sum of the balance thereof (including the value of any Authorised Investments funded from amounts standing to the credit of such Debt Service Reserve Account) and the aggregate available commitments under any DSR Liquidity Facilities in respect of Class B Debt is at least equal to the Class B Required Balance;

(xv) *fifteenth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) any other amounts (not included in paragraphs (vi) and (vii) above), due and/or overdue to the Finance Lessors; and (b) any termination payment due or overdue to a Hedge Counterparty

under any Hedging Agreement which arises as a result of a default by such Hedge Counterparty or as a result of a downgrade in the credit rating of such Hedge Counterparty following any failure by the Hedge Counterparty to comply with the applicable downgrade provisions set out in the relevant Hedging Agreement (other than any amount attributable to the return of collateral or any premium or other upfront payment paid to the Issuer, YWS or YWSF to enter into a transaction to replace a Hedging Agreement (in whole or in part)) which shall be applied first in payment of amounts due to the Hedge Counterparty in respect of that Hedging Agreement);

(xvi) *sixteenth, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all Subordinated Liquidity Facility Amounts due or overdue to each Liquidity Facility Provider under any Liquidity Facilities; (b) all Subordinated Authorised Loan Amounts due or overdue to each Authorised Credit Provider under the relevant Authorised Credit Facility in respect of Class A Debt; (c) any other indemnified amounts due or overdue to each Financial Guarantor under the relevant G&R Deed in respect of any Class A Wrapped Bonds or, as the case may be, the YWSF Wrapped Bonds guaranteed by such Financial Guarantor; and (d) any amounts payable in respect of Class A Debt not referred to in other sub-paragraphs of the Payment Priorities;

(xvii) *seventeenth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all Subordinated Authorised Loan Amounts due or overdue to each Authorised Credit Provider under the relevant Authorised Credit Facility in respect of Class B Debt; (b) any other indemnified amounts due or overdue to each Financial Guarantor under the relevant G&R Deed in respect of any Class B Wrapped Bonds guaranteed by such Financial Guarantor; and (c) any amounts payable in respect of Class B Debt not referred to in other sub-paragraphs of the Payment Priorities;

(xviii) *eighteenth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-up Fee Amounts due or overdue in respect of any Class A Bonds;

(xix) *nineteenth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-up Fee Amounts due or overdue in respect of any Class B Bonds;

(xx) *twentieth*, *pro rata* according to the respective amounts thereof, in or towards satisfaction of all amounts due or overdue (other than principal) to any Subordinated Secured Creditor (limited: (a) in respect of amounts due to any Bondholders, Participating YWSF Bondholders or Non-Participating YWSF Bondholders, to any Subordinated Classes; and (b) in respect of amounts due to any Non-Participating YWSF Bondholders or the Non-Participating YWSF Bond Trustee, to: (A) amounts payable following the commencement of a Standstill Period and for so long as it continues (but excluding the application by the Security Trustee of any Ring-fenced Proceeds); and (B) in circumstances where the events described in the paragraph entitled "*Payments Following Termination of Standstill and Permitted Share Pledge Acceleration*" below have arisen, the application by the Security Trustee of Shared Proceeds only);

(xxi) *twenty-first, pro rata* according to the respective amounts thereof, in or towards satisfaction of principal due or overdue to any Subordinated Secured Creditor (limited: (a) in respect of amounts due to any Bondholders, Participating YWSF Bondholders or Non-Participating YWSF Bondholders, to any Subordinated Classes; and (b) in respect of amounts due to any Non-Participating YWSF Bondholders or the Non-Participating YWSF Bond Trustee, to: (A) amounts payable following the commencement of a Standstill Period and for so long as it continues (but excluding the application by the Security Trustee of any Ring-fenced Proceeds); and (B) in circumstances where the events described in the paragraph entitled "*Payments*

Following Termination of Standstill and Permitted Share Pledge Acceleration" below have arisen, the application by the Security Trustee of Shared Proceeds only); and

(xxii) *twenty-second*, (to the extent required in the Common Terms Agreement) the balance shall remain in the Debt Service Payment Account.

If at the end of any Test Period, there are amounts standing to the credit of the Debt Service Payment Account ("**Excess Funds**") as a result of either: (a) interest credited to and accruing on the Debt Service Payment Account; or (b) payment of amounts into the Debt Service Payment Account in excess of the Annual Finance Charge for such Test Period, such Excess Funds will be treated and applied as a prepayment of future Monthly Payment Amounts due in the succeeding Test Period.

If on any Payment Date there are insufficient funds available to the Obligors to pay in full all Secured Liabilities falling due for payment on such date, then the Payment Priorities shall apply and the Cash Manager shall ensure that: (a) no amounts are applied in discharging any liabilities due to a Secured Creditor unless on the date such amounts are applied all sums then due and payable to each prior ranking Secured Creditor have first been discharged in full; and (b) where funds available to the Obligors are insufficient to meet all of the payments falling due to be made on such date in any sub-paragraph of the Payment Priorities, such funds shall be divided pro rata between those payments.

The Payment Priorities set out in paragraphs (i) to (xxii) inclusive will not apply to: (a) the CD Amounts, which shall be applied on the Closing Date in accordance with the Settlement and Acknowledgement Deed; (b) the proceeds of any further borrowing of Permitted Financial Indebtedness which are required by the terms of such borrowing to be applied: (1) by way of loan to YWS pursuant to an Issuer/YWS Loan Agreement, an Exchange Issuer/YWS Loan Agreement or, as the case may be, a YWSF/YWS Loan Agreement; or (2) in repayment or prepayment of any then existing Financial Indebtedness of the YW Financing Group, in each case, to the extent permitted by the Common Terms Agreement; or (c) any return of collateral or premium or up front payment on replacement of a Hedging Agreement which has been terminated in the circumstances contemplated in paragraph (xv) above which will be paid to the relevant Hedge Counterparty directly. In no circumstance shall YWS be entitled to apply monies represented by the Monthly Payment Amount in or towards making a Restricted Payment.

For so long as no Standstill Period is continuing, YWS will, on the date which is seven Business Days prior to each Payment Date (such date, a "**Determination Date**"), determine whether the aggregate amount of monies then credited to the Debt Service Payment Account is at least equal to the aggregate of all amounts referred to in paragraphs (i) to (xxi) of the Payment Priorities described above (other than (vi)(g) and (vii)(f) and other than principal repayments on the Senior Debt) which fall due and payable on such Payment Date (such aggregate amount, "**Scheduled Debt Service**"). If the balance on the Debt Service Payment Account on a Determination Date is less than the amount of Scheduled Debt Service falling due on the following Payment Date, then YWS will promptly transfer to the Debt Service Payment Account an amount equal to the shortfall first from sums standing to the credit of the Operating Accounts and then, to the extent that there would still be a shortfall in meeting the Scheduled Debt Service, from sums standing to the credit of the Debt Service Reserve Accounts. No amounts may be so transferred from any Operating Account to the extent that to do so would cause the aggregate net balance of the Operating Accounts to fall below the then current aggregate net overdraft limit on the Operating Accounts or cause the balance on any Operating Account to fall below the then current gross overdraft limit in respect of such Operating Account. If after making any required transfers from the Operating Accounts and/or the Debt Service Reserve Accounts, the balance on the Debt Service Payment Account would be insufficient to pay any Scheduled Debt Service falling due for payment at paragraphs (i)-(vi) inclusive (other than (vi)(g)), (xi), (xviii) or (xix) of the Payment Priorities (excluding any termination payments under any Hedging Agreements), the Issuer and/or, in

the case of a shortfall relating to the obligations of YWSF, YWSF shall promptly request a drawing under the relevant DSR Liquidity Facility (if any): (a) in the case of the Issuer, in an amount equal to any shortfall remaining in respect of the Issuer's Class A Debt or, in respect of items (xi) and (xix), the Class B Debt; (b) in the case of the Issuer, in an amount equal to any shortfall remaining in respect of the Issuer's Class A Debt; and (c) in the case of YWSF, in an amount equal to any shortfall remaining in respect of YWSF's Class A Debt.

Debt Service Reserve Accounts, Non-Participating YWSF Bond Reserve Account and O&M Reserve Accounts

YWS will (subject to and in accordance with the Payment Priorities) transfer monies standing to the credit of the Debt Service Payment Account to: (i) the Class A Debt Service Reserve Accounts (of the Issuer and YWSF) and the Class B Debt Service Reserve Account of the Issuer, as required, to maintain the Required Balance; (ii) the Non-Participating YWSF Bond Reserve Account of YWSF as required to maintain the Non-Participating YWSF Bond Required Balance; and (iii) the O&M Reserve Accounts of YWS, as required, to maintain the O&M Reserve Required Amount.

YWS will agree to procure that on any Payment Date and (in respect of paragraph (c) only) any Non-Participating YWSF Bond Payment Date:

(a) the aggregate of: (i) all amounts available for drawing under the DSR Liquidity Facilities in respect of Class A Debt; and (ii) all amounts standing to the credit of the Class A Debt Service Reserve Accounts (including the value of any Authorised Investments funded from amounts standing to the credit of the Class A Debt Service Reserve Accounts) are at least equal to the Class A Required Balance;

(b) the aggregate of: (i) all amounts available for drawing under the DSR Liquidity Facilities in respect of Class B Debt; and (ii) all amounts standing to the credit of the Class B Debt Service Reserve Account (to the extent one is maintained) (including the value of any Authorised Investments funded from amounts standing to the credit of the Class B Debt Service Reserve Account) (after deducting all amounts required to satisfy the Class A Required Balance) are at least equal to the Class B Required Balance; and

(c) the aggregate of: (i) all amounts available for drawing by YWSF under the DSR Liquidity Facilities in respect of any Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds); and (ii) all amounts standing to the credit of the Non-Participating YWSF Bond Reserve Account (including the value of any Authorised Investments funded from amounts standing to the credit of the Non-Participating YWSF Bond Reserve Account), are at least equal to the Non-Participating YWSF Bond Required Balance.

(1) In the case of the relevant DSR Liquidity Facility in respect of Class A Debt, the Issuer and YWSF; (2) in the case of the relevant DSR Liquidity Facility in respect of Class B Debt, the Issuer; (3) in the case of the relevant DSR Liquidity Facility in respect of Non-Participating YWSF Bonds, YWSF; and (4) in the case of the relevant O&M Reserve Facility, YWS: (A) will be required to draw down the whole of a Liquidity Facility Provider's commitment if that Liquidity Facility Provider: (i) ceases to have the Minimum Short-Term Rating from S&P; or (ii) fails to renew its commitment at the end of the term of the relevant Liquidity Facility and whose commitment is not replaced by another Liquidity Facility Provider; and (B) may (but is not obliged to) draw down the whole of a Liquidity Facility Provider's commitment if that Liquidity Facility Provider ceases to have the Minimum Short-Term Rating from Moody's or Fitch. The Issuer or, as the case may be, YWSF must deposit the proceeds of each such drawdown into its Debt Service Reserve Account or, in the case of a DSR Liquidity Facility in respect of Non-Participating YWSF Bonds, the Non-Participating YWSF Bond Reserve Account and, in the case of a drawdown by YWS under an O&M Reserve Facility, YWS must deposit the proceeds of such drawdown into its O&M Reserve Account.

No monies may be withdrawn from the Debt Service Reserve Accounts, Non-Participating YWSF Bond Reserve Account or the O&M Reserve Accounts except as permitted by the relevant Liquidity Facility Agreement (see the section "*The Liquidity Facilities*" below) and the Common Terms Agreement or if the Issuer, YWSF or, as the case may be, YWS delivers, prior to any withdrawal, a certificate to the Security Trustee and the Account Bank that following the making of such withdrawal: (a) in the case of the Debt Service Reserve Accounts, the aggregate of the amounts standing to the credit of the relevant Debt Service Reserve Account (including the value of any Authorised Investments funded from amounts standing to the credit of the relevant Debt Service Reserve Account) and amounts available for drawing under the DSR Liquidity Facilities in respect of Class A Debt and Class B Debt is at least equal to the Required Balance; (b) in the case of the Non-Participating YWSF Bond Reserve Account, the aggregate of the amounts standing to the credit of the Non-Participating YWSF Bond Reserve Account (including the value of any Authorised Investments funded from amounts standing to the credit of the Non-Participating YWSF Bond Reserve Account) and amounts available for drawing under the DSR Liquidity Facilities in respect of Non-Participating YWSF Bonds is at least equal to the Non-Participating YWSF Bond Required Balance; and (c) in the case of YWS's O&M Reserve Account, the aggregate of the O&M Reserve (including the value of any Authorised Investments funded from amounts standing to the credit of the O&M Reserve Accounts) and amounts available for drawing under the O&M Reserve Facilities is at least equal to the O&M Reserve Required Amount.

Compensation Account

YWS shall ensure that any amounts required to be deposited into the Compensation Account pursuant to items (vi)(b), (vii)(c) or (xii)(c) of the Payment Priorities are paid into the Compensation Account.

YWS may only withdraw amounts from the Compensation Account in meeting termination sums due under the relevant Hedging Agreement or as otherwise required by the Hedging Policy.

Authorised Investments

YWS and the Issuer will be permitted, in accordance with the Common Terms Agreement, to invest in certain Authorised Investments from amounts standing to the credit of any of the Accounts.

Cash Management during a Standstill Period

The arrangements described in the section "*Debt Service Payment Account*" above shall continue to apply until the commencement of a Standstill Period. The Common Terms Agreement will provide that, so long as a Standstill Period continues unremedied, and provided no Enforcement Action (other than a Permitted Share Pledge Acceleration and other than any Independent Enforcement Action) has occurred, YWS shall cease to be the Cash Manager and will be replaced by the Standstill Cash Manager, who shall assume control of the Accounts, pay operating expenditure when it falls due and, on a monthly basis, calculate the aggregate of all payments falling to be made during the next following period of 12 months and shall calculate all net revenues received and/or expected to be received over that 12 month period. To the extent that the forecast revenues are insufficient (after paying all relevant operating expenditure) to pay the aggregate of all payments falling to be made during the next 12 months, the Standstill Cash Manager shall notionally apply those forecast revenues to each category in accordance with the Payment Priorities until the revenue that is forecast to be available is insufficient to meet all of the payments falling to be made within such 12 month period in any sub-paragraph of the Payment Priorities (the "**Shortfall Paragraph**") and shall, in respect of those categories of payment falling within the Shortfall Paragraph, divide the anticipated revenues remaining *pro rata* between those amounts. Throughout the Standstill Period, any payments falling to be made within a category of payment falling within a Shortfall Paragraph shall be made by a payment of the *pro rata* share of that payment so calculated and no payments falling in a category which (in

accordance with the Payment Priorities) falls after a Shortfall Paragraph shall be made (and in either case the balance of the payments not made shall remain outstanding).

Payments Following Termination of Standstill and Permitted Share Pledge Acceleration

Following termination of a Standstill (other than due to: (a) waiver by the Majority Creditors (subject to the relevant Quorum Requirement being met) and any other Secured Creditors whose consent is required to be obtained in respect of such waiver pursuant to the Entrenched Rights; or (b) the remedy of the Event of Default giving rise to the Standstill Period) or upon a Permitted Share Pledge Acceleration, the Security Trustee shall apply all sums received by it or available for distribution in accordance with the Payment Priorities above **provided that:** (a) items (i), (ix), (x) and (xiv) shall be deleted for these purposes; and (b) items (vi)(g), (vii)(f) and, to the extent such items relate to payments to Non-Participating YWSF Bondholders or the Non-Participating YWSF Bond Trustee, items (xx) and (xxi) shall apply in respect of the application by the Security Trustee of Shared Proceeds only.

Additionally, during a Standstill Period the Annual Finance Charge pertaining to any Finance Leases shall be adjusted in accordance with the terms of the relevant Finance Lease or Addendum relating thereto.

Hedging Policy

The Hedging Policy provides, *inter alia*, that:

- The YW Financing Group will not enter into Treasury Transactions for the purpose of speculation, but rather only to manage risk inherent in its business or funding on a prudent basis (which shall include any forward starting hedges if thought appropriate) and to the extent permitted by the Financial Services and Markets Act 2000.
- Any change to the Hedging Policy will be subject to YWS board approval and may only be made with the approval of the Security Trustee.
- Subject to such approvals, the Hedging Policy will be reviewed from time to time by the YW Financing Group and amended (subject to Entrenched Rights and Reserved Matters and in accordance with the provisions of the STID) as appropriate in line with market developments, regulatory developments, and Good Industry Practice.
- The YW Financing Group must not bear currency risk in respect of any foreign currency denominated debt instruments, or in respect of any foreign currency purchases which, when aggregated with all other foreign currency exposure at the time of such purchase, causes the sterling equivalent of foreign currency exposure of the YW Financing Group to exceed 0.1 per cent. of RCV.
- The YW Financing Group will maintain at least 85 per cent. of its total outstanding liability profile for the current period to the next Periodic Review and at least 75 per cent. in the next period to the subsequent Periodic Review (each as adjusted proportionately to the extent that the period from one Periodic Review to the next Periodic Review is greater than five years) (on a rolling basis) as index-linked obligations or fixed rate obligations either directly or via hedges. This figure will be kept under review with respect to market conditions and developments in regulatory methodology and practice. Any proposal to change these figures will be approved by the YWS board and be subject to the approval of the Security Trustee (such approval not to be unreasonably withheld).
- Interest rate risk on floating rate liabilities will be hedged through a combination of cash balances and instruments such as interest rate and inflation linked swaps entered into by the Issuer.

- Subject to market constraints and YWS board approval, the YW Financing Group will raise debt through the use of index-linked instruments where it is cost effective.

- Subject to the following paragraph, the Issuer, YWSF and YWS may only enter into Treasury Transactions with counterparties whose short-term, unsecured and unsubordinated debt obligations are assigned a rating by the Rating Agencies which is no less than the minimum required ratings applicable to each Rating Agency as specified in the Hedging Policy or where a parent guarantee is provided by an institution which meets the same criteria. Each Hedging Agreement must include a provision entitling the Issuer, YWSF or, as the case may be, YWS to terminate if there is a downgrade of the Hedge Counterparty (or guarantor thereof) from such minimum required ratings or certain specified long-term ratings and the relevant Hedge Counterparty has failed to post collateral or take such other steps as may be stipulated in the relevant Hedging Agreement pursuant to the relevant provisions relating to counterparty credit risk in accordance with the current criteria of S&P, Moody's and Fitch.

- On 3 March 2014, a STID Proposal was passed which allows the Issuer, YWSF and YWS to enter into Hedging Agreements with unrated counterparties subject to various conditions, including that;

  (a) the relevant Hedge Counterparty has posted collateral at the date on which it enters into any confirmation in respect of such Hedging Agreement in an amount to fully cover all maximum future undiscounted net payment obligations which the Hedge Counterparty has or could have under the terms of the relevant Hedging Agreement; and

  (b) each Rating Agency has affirmed the then current rating of the Bonds at the time at which such confirmation in respect of such Hedging Agreement is entered into (provided that in circumstances where a Rating Agency is not willing to issue a rating affirmation due to its then prevailing policy regarding the issue of rating affirmations, YWS has certified in writing to the Security Trustee that, in its opinion (and where the relevant Rating Agency was prepared to consult with YWS this opinion is based on consultation with such Rating Agency), such transaction would not cause the ratings of the Bonds to be downgraded).

- Hedging Agreements must be entered into in the form, as amended by the parties thereto, of the 1992 ISDA Master Agreement (Multicurrency – Cross Border), the 2002 Master Agreement published by ISDA or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee.

Security Agreement

Security

Each Obligor, on the Closing Date, entered into the Security Agreement with the Security Trustee pursuant to which YWH guaranteed the obligations of each other Obligor under the Finance Documents and YWS, YWSF, and the Issuer guaranteed the obligations of each other (but not YWH) under the Finance Documents, in each case to the Security Trustee as security trustee for the Shared Secured Creditors and the Ring-fenced Secured Creditors on the terms set out in the Security Agreement and the STID.

Each of YWS and YWSF (together with any Permitted Subsidiaries which constitute a "Principal Subsidiary" (as such term is defined in the terms and conditions of the Non-Participating YWSF Bonds)) secured its property, assets and undertakings to the Security Trustee as trustee for the Shared Secured Creditors (which include the Non-Participating YWSF Bondholders and the Non-Participating YWSF Bond Trustee). However, in respect of YWS, the creation, perfection and

enforcement of such security will be subject to the WIA, the Instrument of Appointment and requirements thereunder. Each other Obligor (each a "**Ring-fenced Chargor**") secured its property, assets and undertakings to the Security Trustee as trustee for the Ring-fenced Secured Creditors (which do not include the Non-Participating YWSF Bondholders or the Non-Participating YWSF Bond Trustee).

The Security Agreement, to the extent applicable, incorporates the provisions of the Common Terms Agreement and is subject to the STID.

The security constituted by the Security Agreement is expressed to include, amongst other things:

(i) first fixed charges over:

  (a) the shares in YWS, YWSF, and the Issuer;

  (b) each Obligor's right, title and interest from time to time in and to certain land and other real property and the proceeds of any disposal thereof;

  (c) all present and future plant, machinery, office equipment, computers, vehicles and other chattels;

  (d) all monies standing to the credit of each Obligor's bank accounts;

  (e) certain Intellectual Property Rights owned by each Obligor;

  (f) uncalled capital and goodwill;

  (g) each Authorised Investment;

  (h) all shares of any person owned by the Obligor including all dividends, interest and other monies payable in respect thereof and all other rights related thereto;

  (i) all present and future book debts; and

  (j) all benefit in respect of certain insurances;

(ii) an assignment of each Obligor's right in respect of all Transaction Documents; and

(iii) a first floating charge of the whole of the undertaking of each Obligor,

except that the Security does not include any security over Protected Land (see Chapter 6, "*Regulation of the Water and Wastewater Industry in England and Wales*" under "*Protected Land*") or any of YWS's other assets, property and rights to the extent, and for so long as, the taking of any such security would contravene the terms of the Instrument of Appointment and requirements thereunder or the WIA or any other applicable law.

For a description of certain limitations on the ability of YWS to grant security and certain limitations and restrictions on the security purported to be granted, see Chapter 4 "*Risk Factors – Legal Risks – Security Over Assets*".

Prior to an Event of Default, notices of assignment will only be given to the relevant counterparty to the Transaction Documents that are assigned and to the insurers with whom YWS has taken out insurance in accordance with the requirements of the Common Terms Agreement (subject to certain agreed exceptions). Following an Event of Default, notices of assignment will be given in respect of any assigned contract or asset as requested by the Security Trustee upon the instructions of the Majority Creditors pursuant to the terms of the STID.

Any Permitted Subsidiary acquired or established by YWS at any time following the Closing Date will be required to accede to the Security Agreement as an Obligor.

Security Structure

The following shows the security provided by the YW Financing Group in favour of the Security Trustee on behalf of the Shared Secured Creditors (in respect of the Shared Security) and the Ring-fenced Secured Creditors (in respect of the Ring-fenced Security) on the terms set out in the Security Agreement and the STID:

SECURITY		**GUARANTEE**
Fixed and floating charge Principal secured asset is its holding of shares in YWS	YWH (a Ring-fenced Chargor)	Guarantees all obligations of YWS, YWSF, and the Issuer under the Finance Documents
Fixed and floating charge over its property, assets and undertaking, all subject to the WIA and the Instrument of Appointment	YWS (a Shared Chargor)	Guarantees all obligations of YWSF and the Issuer under the Finance Documents
Fixed and floating charge	YWSF (a Shared Chargor)	Guarantees all obligations of YWS and the Issuer under the Finance Documents
Fixed and floating charge	Issuer (a Ring-fenced Chargor)	Guarantees all obligations of YWS and YWSF under the Finance Documents

Financial Guarantor Documents

The Financial Guarantees of Wrapped Bonds

The form of Financial Guarantee to be issued by each Financial Guarantor (upon fulfilment or waiver by the relevant Financial Guarantors of certain conditions precedent to be contained in the CP Agreement) in respect of the issue of any Wrapped Bonds issued under the Programme will be set out in a supplement to this Prospectus.

Upon an early redemption of the relevant Wrapped Bonds or an acceleration of the relevant Wrapped Bonds, each relevant Financial Guarantor's obligations will continue to be to pay the Guaranteed Amounts as they fall Due for Payment (each as defined in the relevant Financial Guarantor's Financial Guarantee) on each Payment Date. None of the Financial Guarantors will be obliged under any circumstances to accelerate payment under its Financial Guarantees. However, if it does so, it may do so in its absolute discretion in whole or in part, and the amount payable by the relevant Financial Guarantor will be the Outstanding Principal Amount (or *pro rata* amount that has become due and payable) of the relevant Wrapped Bonds together with accrued interest (excluding always the FG Excepted Amounts). Any amounts due in excess of such Outstanding Principal Amount (and any

accrued interest thereon) will not be guaranteed by any Financial Guarantor under any of the Financial Guarantees.

The Bond Trustee as party to each of the Financial Guarantees will have the right to enforce the terms of such Financial Guarantees, and any right of any other person to do so is expressly excluded.

Guarantee and Reimbursement Deeds

On each relevant Issue Date of Wrapped Bonds, the Issuer and YWS will enter into a guarantee and reimbursement deed (each a "**G&R Deed**") with the relevant Financial Guarantor, pursuant to which the Issuer will be obliged, among other things, to reimburse such Financial Guarantor in respect of the payments made by it under the relevant Financial Guarantee and to pay, among other things, any fees and expenses of such Financial Guarantor in respect of the provision of the relevant Financial Guarantee. Insofar as a Financial Guarantor makes payment under the relevant Financial Guarantee in respect of Guaranteed Amounts (as defined in such Financial Guarantee), it will be subrogated to the present and future rights of the relevant Wrapped Bondholders against the Issuer in respect of any payments made.

Additional Resources Available

Finance Leases

YWS is party to various Finance Leases, whereby the Finance Lessor leases the Equipment sold or supplied to YWS on the terms and subject to the conditions set out in the lease agreements with YWS as lessee and the respective leasing company as lessor. The Finance Documents also permit YWS to enter into new Finance Leases in the future.

The Equipment acquired by or sold or supplied to such leasing companies consists mainly of plant and machinery and other equipment used in the water and sewerage operations of YWS. The Equipment is comprised of movable equipment and fixed equipment (that is Equipment which is so installed or affixed to real estate so as to become part of that real estate as a matter of law).

Authorised Credit Facilities

YWS has entered into various bilateral and syndicated bank facilities, which incorporate and are subject to the terms of the STID and the Common Terms Agreement.

As at 31 March 2025, YWS has the following committed credit facilities available to it:

(i) £630 million revolving credit facility provided by a syndicate of six banks, due to expire in November 2029 and which was undrawn; and

(ii) £80 million bilateral committed credit facility due to expire in July 2027 and which was undrawn.

When combined with the Liquidity Facilities and cash reserves, YWS had £1,571 million of available liability at March 2025.

The Liquidity Facilities

DSR Liquidity Facilities

YWS agrees to procure that on any Payment Date, the aggregate of: (i) all amounts available for drawing under any DSR Liquidity Facilities; and (ii) all aggregate amounts standing to the credit of the Debt Service Reserve Accounts (including any Authorised Investments funded from amounts standing to the credit of any Debt Service Reserve Account) are at least equal to the Required Balance.

Following the Closing Date, in order to maintain the Required Balance from time to time, each of the Issuer and YWSF may enter into a DSR Liquidity Facility Agreement. The Issuer and YWSF entered

into the current DSR Liquidity Facility Agreements on 17 March 2022 (which were renewed on 25 March 2024**,** amended on 31 March 2025, and with availability extended from 25 March 2025). The Issuer may establish further DSR Liquidity Facilities in connection with the issue of further Bonds and other Class A Debt and Class B Debt issued or incurred.

On the Closing Date, the Non-Participating YWSF Bond Required Balance represented an amount equal to the next 18 months' interest and principal forecast to be due on the Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds (if any)), after taking into account anticipated real flow receipts under any Hedging Agreement then in place in respect of any Non-Participating YWSF Bonds. An amount equal to the Non-Participating YWSF Bond Required Balance (if any) was deposited by YWS into YWSF's Non-Participating YWSF Bond Reserve Account on the Closing Date. Following the Closing Date, in order to maintain the Non-Participating YWSF Bond Required Balance from time to time, YWSF may enter into a DSR Liquidity Facility Agreement. However, as at the date of this Prospectus, the Non-Participating YWSF Bond Required Balance is maintained from monies standing to the credit of the Non-Participating YWSF Bond Reserve Account.

Under the terms of the DSR Liquidity Agreements, the DSR Liquidity Facility Providers provide a 5 year liquidity guarantee in an aggregate amount specified in the relevant DSR Liquidity Facility Agreement (which, in the case of Class A Debt and Class B Debt, when aggregated with all amounts available for drawing under any other DSR Liquidity Facilities in respect of Class A Debt and Class B Debt and all amounts standing to the credit of the Debt Service Reserve Accounts (including any Authorised Investments funded from amounts standing to the credit of any Debt Service Reserve Account), equals at least the Required Balance, and, in the case of Non-Participating YWSF Bonds, when aggregated with all amounts available for drawing under any DSR Liquidity Facility in respect of the Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds) and all amounts standing to the credit of the Non-Participating YWSF Bond Reserve Account (including any Authorised Investments funded from amounts standing to the credit of any Non-Participating YWSF Bond Reserve Account), equals at least the Non-Participating YWSF Bond Required Balance) to permit drawings to be made by:

(i) each of the Issuer and YWSF in circumstances where YWS has or will have insufficient funds in the Debt Service Payment Account available on a Payment Date to pay amounts (other than principal amounts to be repaid in respect of Class A Debt or Class B Debt and principal amounts to be repaid or any termination payments under any Hedging Agreements) scheduled to be paid in respect of items (i) to (vi) inclusive (other than (vi)(g)) and item (xviii) of the Payment Priorities (a "**Liquidity Shortfall**"); and/or

(ii) YWSF where YWS or YWSF has or will have insufficient funds in the Operating Accounts available on a Non-Participating YWSF Bond Payment Date, or otherwise fails on a Non-Participating YWSF Bond Payment Date, to pay any amounts scheduled to be paid in respect of any Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds) on such Non-Participating YWSF Bond Payment Date (a "**Non-Participating YWSF Bond Shortfall**").

The proceeds of drawings made by the Issuer or YWSF under the DSR Liquidity Facilities will be on-lent by the Issuer or, as the case may be, YWSF to YWS under an Issuer/YWS Loan Agreement, or, as the case may be, a YWSF/YWS Loan Agreement.

The Issuer will not be able to make a drawing in respect of a Liquidity Shortfall relating (in whole or in part) to Class B Debt unless the sum of the amount available under the DSR Liquidity Facilities and the amount standing to the credit of the Issuer's Class A Debt Service Reserve Account (including any Authorised Investments funded from amounts standing to the credit of such Debt Service Reserve Account) (immediately after such drawing) is not less than the Class A Required Balance. Only YWSF will be able to make a drawing in respect of a Non-Participating YWSF Bond Shortfall.

Unless otherwise agreed by the Issuer, YWSF and the Security Trustee, liquidity in respect of the Class A Debt and Non-Participating YWSF Bonds will be applied in making payments in respect of Class A Debt or, as the case may be, Non-Participating YWSF Bonds only and liquidity in respect of Class B Debt will be applied in making payments in respect of Class B Debt only.

O&M Reserve Facility

YWS agrees that it shall at all times maintain an O&M Reserve Facility available for drawing which, when aggregated with amounts standing to the credit of any O&M Reserve Accounts of YWS (including the value of any Authorised Investments funded from amounts standing to the credit of the O&M Reserve Account of YWS, amounts to not less than the O&M Reserve Required Amount.

In order to maintain the O&M Reserve Required Amount from time to time, YWS may enter into an O&M Reserve Facility Agreement. Yorkshire Water Services Odsal Finance Limited transferred the O&M Reserve Facility Agreement to YWS on 16 August 2018 as part of the 2018 Reorganisation to YWS. The O&M Reserve Facility Agreement was renewed on 21 March 2025 (with a commencement date of 21 March 2025).

Under the terms of the O&M Reserve Facility Agreement and each further O&M Reserve Facility Agreement, the O&M Reserve Facility Providers provide and will provide (as applicable) a 364 day liquidity facility in an aggregate amount specified in the relevant O&M Reserve Facility Agreement (which, when aggregated with all amounts available for drawing under any other O&M Reserve Facilities and all amounts standing to the credit of the O&M Reserve Accounts of YWS (including the value of any Authorised Investments funded from amounts standing to the credit of the O&M Reserve Account of YWS), equals the O&M Reserve Required Amount).

Drawings under each O&M Reserve Facility will be used by YWS to meet its operating and Capital Maintenance Expenditure requirements to the extent that YWS has insufficient funds available to it in its Operating Accounts to meet these requirements. YWS may establish further O&M Reserve Facilities in connection with other Class A Debt and Class B Debt issued or incurred by the YW Financing Group.

Liquidity Facilities – General

Each Liquidity Facility Provider must have the Minimum Short-Term Rating at the time of its accession as a Liquidity Facility Provider.

Each Liquidity Facility Provider may be replaced at any time **provided that** such Liquidity Facility Provider is replaced by a bank with the Minimum Short-Term Rating and all amounts outstanding to such Liquidity Facility Provider are repaid in full.

Each Liquidity Facility Agreement will provide those amounts repaid by the Issuer or, as the case may be, YWSF may be redrawn.

Each Liquidity Facility Agreement will provide that if: (i) at any time the rating of the relevant Liquidity Facility Provider falls below the Minimum Short-Term Rating from S&P; or (ii) the relevant Liquidity Facility Provider does not agree to renew its commitment under such Liquidity Facility prior to the expiry of the relevant availability period, the Issuer or, as the case may be, YWSF will:

(a) use all reasonable endeavours to replace the relevant Liquidity Facility Provider with a party having the Minimum Short-Term Rating; and

(b) (if a replacement is not made within the relevant time period specified in the relevant Liquidity Facility Agreement) be entitled to require such Liquidity Facility Provider to pay into the Debt Service Reserve Account (in the case of DSR Liquidity Facilities) of the Issuer or, as the case may be, YWSF, or YWS's O&M Reserve Account (in the case of an O&M Reserve Facility)

the full amount of the relevant Liquidity Facility Provider's undrawn commitment (a "**Standby Drawing**").

Each Liquidity Facility Agreement will provide that if at any time the rating of the relevant Liquidity Facility Provider falls below the Minimum Short-Term Rating from Moody's or Fitch, the Issuer or, as the case may be, YWSF may (but shall not be obliged to):

(a) replace the relevant Liquidity Facility Provider with a party having the Minimum Short-Term Rating; and

(b) (if a replacement is not made within the relevant time period specified in the relevant Liquidity Facility Agreement) be entitled (but not obliged) to require such Liquidity Facility Provider to pay into the Debt Service Reserve Account (in the case of DSR Liquidity Facilities) of the Issuer or, as the case may be, YWSF, or YWS's O&M Reserve Account (in the case of an O&M Reserve Facility) a Standby Drawing.

A Standby Drawing will generally be repayable only if the relevant Liquidity Facility Provider is rated with the Minimum Short-Term Rating or confirmation is received from each of the Rating Agencies that either: (i) the terms of a replacement Liquidity Facility; or (ii) the absence of any such facility, in each case, as applicable will not lead to a shadow ratings downgrade of the Wrapped Bonds or the YWSF Wrapped Bonds or a credit ratings downgrade of the Unwrapped Bonds or the YWSF Unwrapped Bonds from the relevant Rating Agencies.

Interest will accrue on any drawing (including a Standby Drawing) made under the Liquidity Facility provided by a Liquidity Facility Provider at a reference rate per annum plus a margin. Under the Liquidity Facility Agreements, the Issuer or, as the case may be, YWSF will also, in certain circumstances, be required to pay additional amounts if: (i) a withholding or deduction for or on account of tax is imposed on payments made by it to the relevant Liquidity Facility Provider; or (ii) if the relevant Liquidity Facility Provider suffers an increase in the cost of providing the relevant Liquidity Facility. The Issuer or, as the case may be, YWSF will pay certain agency, arrangement and renewal fees as well as a commitment fee which will accrue on any undrawn portion of the commitments under the Liquidity Facilities.

Upon the enforcement of the Security pursuant to the STID, all indebtedness outstanding under any Liquidity Facility (other than Subordinated Liquidity Facility Amounts) will rank in priority to the Bonds.

Hedging

YWS has entered into a number of Hedging Agreements, each of which must comply with the terms of the Hedging Policy. The Hedging Agreements incorporate and are subject to the terms of the Common Terms Agreement and STID. The Hedging Policy provides that the YW Financing Group must enter into Hedging Agreements in accordance with the Hedging Policy and that the only members of the YW Financing Group that may enter into Hedging Agreements are YWS, YWSF and the Issuer. (See "*Hedging Policy*" under "*Common Terms Agreement*" above for further details)

Termination

The Issuer, YWSF or, as the case may be, YWS will be entitled to terminate a Hedging Agreement in certain circumstances (including a failure to pay by the Hedge Counterparty, certain insolvency events affecting the Hedge Counterparty and certain rating downgrade events affecting the Hedge Counterparty or any guarantor as the case may be where the relevant Hedge Counterparty has failed to post collateral or take such other steps as may be stipulated in the relevant Hedging Agreement

pursuant to the relevant provisions relating to counterparty credit risk in accordance with the current criteria of S&P, Moody's and Fitch).

The Hedge Counterparty will be entitled to terminate a Hedging Agreement only in certain limited circumstances being:

(a) a failure by the Issuer, YWSF or, as the case may be, YWS to make payments when due;

(b) certain insolvency events affecting the Issuer, YWSF or, as the case may be, YWS;

(c) illegality affecting the Hedging Agreement;

(d) certain tax events;

(e) redemption in whole or in part of any Sub-Class of the Bonds hedged by such Treasury Transaction;

(f) termination of a Standstill Period (except by virtue of remedy or waiver of the relevant Event of Default giving rise to the Standstill Period) or, if earlier, an Acceleration of any Sub-Class of the Bonds hedged by such Treasury Transaction pursuant to Condition 11 "*Events of Default*" of the Bonds; or

(g) the Discharge Date has occurred.

In addition to the circumstances described above,

(a) YWS will be entitled to be party to the Type 2 Hedging Agreements;

(b) YWS will be entitled to be party to certain Hedging Agreements which are not Type 2 Hedging Agreements;

(c) subject to the terms of the STID, YWS will be entitled to agree with the relevant Hedge Counterparty to terminate a Type 2 Hedging Agreement (or part thereof) or to amend the mandatory termination provisions of a Type 2 Hedging Agreement such that following such amendment the relevant Hedging Agreement ceases to be a Type 2 Hedging Agreement; and

(d) following the date upon which all Treasury Transactions entered into pursuant to a Type 2 Hedging Agreement cease to be outstanding, the Issuer, YWSF and YWS will be entitled to enter into new Treasury Transactions pursuant to Hedging Agreements with Hedge Counterparties pursuant to which each relevant Hedge Counterparty can have the right to terminate the relevant Treasury Transaction on or after the tenth anniversary of the original effective date of such Treasury Transaction,

provided that:

(i) as at the date of an amendment or termination pursuant to paragraph (c) above or, as the case may be, entry into a Treasury Transaction pursuant to paragraph (d) above (and in each case taking account of such amendment or termination or, as the case may be, such Treasury Transaction), the aggregate notional amount and/or sterling currency amounts (as applicable) of all outstanding Treasury Transactions referred to in sub-paragraphs (b), (c) and (d) above, in each case expressed as a percentage of RCV, does not exceed 10 per cent.;

(ii) as at the Closing Date and as at the date of an amendment or termination pursuant to paragraph (c) above or, as the case may be, entry into a Treasury Transaction pursuant to paragraph (d) above (and taking account of such amendment or termination or, as the case may be, such Treasury Transaction), the aggregate notional amount and/or sterling

currency amounts (as applicable) of all outstanding Treasury Transactions entered into pursuant to sub-paragraphs (a), (b), (c) and (d) above which:

(A) may be terminated at the election of the applicable Hedge Counterparty (taking into account the earliest optional termination date only); or

(B) will terminate pursuant to any mandatory termination provision,

(in each case not including the scheduled maturity date of such Treasury Transactions) within any period of 24 consecutive months (from and including the first day of any 24 month period to but excluding the day falling 24 months later) (any such termination date being a Relevant Termination Date), in each case expressed as a percentage of RCV, does not exceed 3.5 per cent.;

(iii) as at the Closing Date and as at the date of an amendment or termination pursuant to paragraph (c) above or, as the case may be, entry into a Treasury Transaction pursuant to paragraph (d) above (and taking account of such amendment or termination or, as the case may be, such Treasury Transaction), the aggregate notional amount and/or sterling currency amounts (as applicable) of all outstanding Treasury Transactions entered into pursuant to sub-paragraphs (a), (b), (c) and (d) above which:

(A) may be terminated at the election of the applicable Hedge Counterparty (taking into account the earliest optional termination date only); and

(B) will terminate pursuant to any mandatory termination provision,

(in each case not including the scheduled maturity date of such Treasury Transactions) within any rolling five-year period (any such termination date being a Relevant Termination Date), in each case expressed as a percentage of RCV, does not exceed 7 per cent.; and

(iv) within three months following the anniversary prior to the Relevant Termination Date of the relevant Treasury Transaction, the Issuer, YWSF or YWS (as the case may be) will be required to use all reasonable endeavours to either:

(A) enter into new Treasury Transaction(s) in order to replace the Treasury Transaction which is the subject of such termination or (subject to the terms of the STID) extend the termination provisions in respect of the Treasury Transaction which is the subject of such termination; or

(B) place on deposit in the Compensation Account an amount which the Issuer, YWSF or YWS (as the case may be) estimates, in its reasonable opinion, as being equal to the net amount, if any, payable by the Issuer, YWSF or YWS (as the case may be) to the relevant Hedge Counterparty on such termination **provided that**, YWS shall recalculate such estimated net amount on the dates falling 6 months prior and 3 months prior to the Relevant Termination Date and: (i) to the extent that the estimated net amount increases as at such date, YWS shall place a further amount on deposit in the Compensation Account; or (ii) to the extent that the estimated net amount decreases as at such date, YWS shall be permitted to withdraw an amount from the Compensation Account, in each case resulting in the balance of the amount on deposit in relation to such Treasury Transaction being equal to the most recent estimate in respect thereof.

In the event that a Hedging Agreement is terminated, a termination payment may be due from the Issuer, YWS or, as the case may be, YWSF.

Other Finance Documents

Account Bank Agreement

Pursuant to the Account Bank Agreement, the Account Bank will agree to hold the Accounts (other than any Cash Cover Accounts opened at another bank or financial institution in accordance with the Senior Facilities Agreement or any other Authorised Credit Facility) and operate them in accordance with the instructions of the Cash Manager or Standstill Cash Manager (as applicable). The Cash Manager or Standstill Cash Manager (as applicable) will manage the Accounts on behalf of the YW Financing Group pursuant to the Common Terms Agreement (see the section "*Cash Management*" above).

Tax Deed of Covenant

Pursuant to the Tax Deed of Covenant, among other things, all the parties thereto which are members of the Kelda Group will make representations and will give covenants with a view to protecting the Obligors from various tax-related risks.

Under the terms of the Tax Deed of Covenant, each Obligor will give certain representations and covenants as to its tax status and to the effect that, subject to the Obligors' membership of the YWS VAT Group, it has not taken and, save in certain permitted circumstances, will not take any steps which could reasonably be expected to give rise to a liability to tax for an Obligor where that tax is primarily the liability of another person (a "**Secondary Tax Liability**") and, save in certain permitted circumstances, that it will not take any steps and will procure that no steps are taken which would cause any Obligor to become subject, *inter alia*, to any charge to corporation tax on chargeable gains under section 179 of the Taxation of Chargeable Gains Act 1992 or to stamp duty land tax as a result of the withdrawal of group relief under paragraph 3 or 9 of schedule 7 to the Finance Act 2003 (each a "**Degrouping Tax Liability**").

Kelda Holdings Limited and KGL (the "**Covenantors**") will also represent and covenant that, other than where liability arises from membership of the YWS VAT Group, no steps have been taken nor will be taken which might reasonably be expected to give rise to a Secondary Tax Liability in an Obligor, and that they will not take and will procure, to the extent that they are able to do so, that no steps are taken which cause an Obligor to be subject to a Degrouping Tax Liability.

Under the Tax Deed of Covenant, Kelda Holdings Limited will undertake to indemnify the Obligors against any Secondary Tax Liability or Degrouping Tax Liability which arises as a result of the breach of the covenants referred to above.

With a view to preventing or mitigating a Secondary Tax Liability or Degrouping Tax Liability arising in an Obligor, the Covenantors and the Obligors (among others) will, under the Tax Deed of Covenant, incur certain obligations in relation to specified events including changes in ownership of the Obligors. For example, the Tax Deed of Covenant provides that in certain circumstances where it is anticipated that there will be a change of control for tax purposes of YWH and therefore of the Obligors (for example, as a result of the sale of shares in YWH or KGL), KGL can be required, as a condition of that sale, to deposit an amount in a trust account equal to the estimated tax liability (if any) arising or likely to arise in an Obligor as a result of the sale. The money deposited could then be used to pay the tax liability of the Obligor.

The YWS VAT Group (of which YWS is the representative member) is currently comprised of YWS, YWH, the Issuer and YWSF. With a view to mitigating the possibility of any Obligor becoming liable (on a joint and several basis or otherwise) for any VAT liability of another person (other than an Obligor), the Obligors and the Covenantors will represent and covenant that no other person shall become treated as a member of the YWS VAT Group without the consent of the Security Trustee. Kelda Holdings Limited will also indemnify YWS or procure that YWS is indemnified in respect of

any Tax liability which YWS may incur by virtue of any member of the Kelda Group (other than an Obligor) having been a member of the YWS VAT Group.

CHAPTER 8
THE BONDS

Terms and Conditions of the Bonds

*The following is the text of the terms and conditions which (subject to the provisions of the relevant Final Terms or Drawdown Prospectus (as defined below) and, save for the italicised paragraphs) will be incorporated by reference into each Global Bond (as defined below) representing Bonds (as defined below) in bearer form, Bonds in definitive form (if any) issued in exchange for the Global Bond(s) representing Bonds in bearer form, each Registered Bond (as defined below) in global form (a "**Registered Global Bond**") representing Bonds in registered form and each Registered Bond in definitive form (a "**Definitive Registered Bond**") representing Bonds in registered form (only if such incorporation by reference is permitted by the rules of the relevant Stock Exchange and agreed by the Issuer). If such incorporation by reference is not so permitted and agreed, each Bond in bearer form and each Definitive Registered Bond representing Bonds in registered form will have endorsed thereon or attached thereto such text (as so completed, amended, varied or supplemented). Further information with respect to each Tranche (as defined below) of Bonds will be given in the relevant Final Terms or Drawdown Prospectus which will provide for those aspects of these Conditions which are applicable to such Tranche (as defined below) of Bonds, including, in the case of Wrapped Bonds (as defined below), the form of Financial Guarantee (as defined below) and endorsement and, in the case of all Sub-Classes (as defined below), the terms of the relevant advance under the relevant Issuer/YWS Loan Agreement. If a Financial Guarantor (as defined below) is appointed in relation to any Sub-Class of Wrapped Bonds (as specified in the relevant Final Terms or Drawdown Prospectus) a supplement to this Prospectus will be produced providing such information about such Financial Guarantor as may be required by the rules of the FCA or the London Stock Exchange on which such Bonds are admitted to listing and/or trading. References in the Conditions to "**Bonds**" are, as the context requires, references to the Bonds of one Sub-Class only, not to all Bonds which may be issued under the Programme.*

Yorkshire Water Finance plc (the "**Issuer**") has succeeded Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited which established a guaranteed bond programme (the "**Programme**") for the issuance of up to £8,000,000,000 guaranteed bonds (the "**Bonds**"). Bonds issued under the Programme on a particular Issue Date comprise a Series (a "**Series**"), and each Series comprises one or more Classes of Bonds (each a "**Class**"). Each Class may comprise one or more sub-classes (each a "**Sub-Class**") and each Sub-Class comprising one or more tranches (each a "**Tranche**").

Bonds issued by the Issuer subject to a Financial Guarantee will be designated as "**Class A Wrapped Bonds**" or "**Class B Wrapped Bonds**". The Bonds issued by the Issuer which are not subject to a Financial Guarantee will be designated as "**Class A Unwrapped Bonds**" (and together with the Class A Wrapped Bonds, the "**Class A Bonds**") or "**Class B Unwrapped Bonds**" (and, together with the Class B Wrapped Bonds, the "**Class B Bonds**"). Each Sub-Class will be denominated in different currencies or will have different interest rates, maturity dates or other terms. Bonds of any Class may be fixed rate bonds ("**Fixed Rate Bonds**"), floating rate bonds ("**Floating Rate Bonds**"), index-linked bonds ("**Indexed Bonds**") or instalment bonds ("**Instalment Bonds**") depending on the method of calculating interest payable in respect of such Bonds and may be denominated in sterling, euro, U.S. dollars or in other currencies subject to compliance with applicable law.

The terms and conditions applicable to any particular Sub-Class of Bonds are these terms and conditions ("**Conditions**") completed by a set of final terms in relation to such Sub-Class (a "**Final Terms**") or a drawdown prospectus (a "**Drawdown Prospectus**"). In the event of any inconsistency

between these Conditions and the relevant Final Terms or Drawdown Prospectus, the relevant Final Terms or Drawdown Prospectus (as applicable) shall prevail.

Reference to "**Final Terms**" or "**Drawdown Prospectus**" is to the Final Terms or, as the case may be, Drawdown Prospectus (or the relevant provisions thereof) applicable to the Bonds.

The Bonds are subject to and have the benefit of a trust deed dated the Closing Date (as defined below) (as amended, supplemented, restated and/or novated from time to time, the "**Bond Trust Deed**") between the Issuer, any Financial Guarantor (as defined below) acceding thereto and Deutsche Trustee Company Limited as trustee (the "**Bond Trustee**", which expression includes the trustee or trustees for the time being of the Bond Trust Deed).

The Class A Wrapped Bonds and the Class B Wrapped Bonds (each "**Wrapped Bonds**") alone will be unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest (as adjusted for indexation, as applicable, but excluding any additional amounts relating to premium, prepayment or acceleration, accelerated amounts and amounts (if any), in the case of Fixed Rate Bonds or Indexed Bonds (other than deferred interest), representing step-up fees at a rate specified in the relevant Final Terms or Drawdown Prospectus in excess of the initial Coupons on such Sub-Class as at the relevant Issue Date (as defined in Condition 6(l) (*Definitions*), and, in the case of Floating Rate Bonds, representing step-up fees at a rate specified in the relevant Final Terms or Drawdown Prospectus in excess of the initial Margin on the Coupons on such Sub-Class as at the relevant Issue Date (as defined in Condition 6(l) (*Definitions*)) (in each case, the "**Subordinated Step-up Fee Amounts**"), all such amounts being the "**FG Excepted Amount**s") pursuant to a financial guarantee (each, a "**Financial Guarantee**") to be issued by financial guarantors (each a "**Financial Guarantor**") in conjunction with the issue of each Sub-Class of Bonds.

Neither of the Class A Unwrapped Bonds nor the Class B Unwrapped Bonds (each "**Unwrapped Bonds**") will have the benefit of any such Financial Guarantee.

The Bonds have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the "**Agency Agreement**") dated the Closing Date (to which the Issuer, the Bond Trustee, the Principal Paying Agent and the other Paying Agents (in the case of Bearer Bonds) or the Transfer Agents and the Registrar (in the case of Registered Bonds) are party). As used herein, each of "**Principal Paying Agent**", "**Paying Agents**", "**Agent Bank**", "**Transfer Agents**" and/or "**Registrar**" means, in relation to the Bonds, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents, Agent Bank, Transfer Agents and/or Registrar, respectively, and, in each case, any successor to such person in such capacity. The Bonds may also have the benefit (to the extent applicable) of a calculation agency agreement (in the form or substantially in the form of Schedule 1 to the Agency Agreement, the "**Calculation Agency Agreement**") between, *inter alios*, the Issuer and any calculation agent appointed by the Issuer as calculation agent (the "**Calculation Agent**").

On 24 July 2009 (the "**Closing Date**"), Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited entered into a security agreement (the "**Security Agreement**") with Deutsche Trustee Company Limited as security trustee (the "**Security Trustee**"), pursuant to which they granted certain fixed and floating charge security (the "**Issuer Security**") to the Security Trustee for itself and on behalf of the Bond Trustee (for itself and on behalf of the Bondholders), the Bondholders, the Participating YWSF Bond Trustee (for itself and on behalf of the relevant Participating YWSF Bondholders), the Participating YWSF Bondholders, each Financial Guarantor, Yorkshire Water Services Bradford Finance Limited, Yorkshire Water Services Odsal Finance Limited, YWSF, each Liquidity Facility Provider, any Liquidity Facility Arrangers, each Finance Lessor, the Hedge Counterparties, the Liquidity Facility Agents, each Authorised Credit Provider (as defined below), the Senior Facilities Agent, the Initial Senior Facilities Arrangers, each

Agent, the Account Bank, the Cash Manager (other than when the Cash Manager is YWS), the Standstill Cash Manager and any Additional Secured Creditors (each as defined therein) (together with the Security Trustee, the "**Secured Creditors**"). On the Closing Date, Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited entered into a security trust and intercreditor deed (the "**STID**") as amended, supplemented, restated and/or novated from time to time, with, among others, the Security Trustee, other Secured Creditors and pursuant to which the Security Trustee holds the Security on trust for itself and the other Secured Creditors and the Secured Creditors agree to certain intercreditor arrangements. Pursuant to a reorganisation of the YW Financing Group in 2018, Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited are no longer the issuers under the Programme and the Issuer has succeeded such persons under the Security Agreement, the STID and all other Finance Documents.

Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited entered into a Dealership Agreement originally dated 15 July 2009 (as amended, supplemented, restated and/or novated from time to time, the "**Dealership Agreement**") with the dealers named therein (the "**Dealers**") in respect of the Programme, and the Issuer has succeeded Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited as issuer under the Dealership Agreement. Pursuant to the Dealership Agreement, any of the Dealers may enter into a subscription agreement in relation to each Sub-Class of Bonds issued by the Issuer, and pursuant to which the Dealers have agreed to subscribe for the relevant Sub-Class of Bonds. In any subscription agreement relating to a Sub-Class of Bonds, any of the Dealers may agree to procure subscribers to subscribe for the relevant Sub-Class of Bonds.

On the Closing Date, Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited entered into a common terms agreement (the "**Common Terms Agreement**") with, among others, the Security Trustee, pursuant to which certain representations, warranties and covenants are made and which sets out in Schedule 7 (*Events of Default*) thereof the Events of Default (as defined therein) in relation to the Bonds. Pursuant to an accession memorandum dated 15 August 2018, the Issuer became a party to the Common Terms Agreement and made certain representations, undertakings, and covenants in relation to the Bonds.

The Issuer may enter into liquidity facility agreements (together, the "**DSR Liquidity Facility Agreements**") with certain liquidity facility providers (together, the "**DSR Liquidity Facility Providers**") pursuant to which the DSR Liquidity Facility Providers agree to make certain facilities (the "**DSR Liquidity Facilities**") available to meet debt service liquidity shortfalls. YWS may enter into an O&M Reserve Liquidity Facility Agreement with certain liquidity facility providers (together, the "**O&M Reserve Facility Providers**") pursuant to which the O&M Reserve Facility Providers agree to make certain facilities (the "**O&M Reserve Facilities**") available to YWS in respect of shortfalls in YWS's operating and maintenance expenditure. YWS has entered into a revolving credit facility with certain lenders for the purposes of funding the YW Financing Group.

YWS has entered and may enter into certain credit facilities from time to time, the "**Authorised Credit Facilities**") with certain lenders (together with the lenders in respect of other Authorised Credit Facilities, the "**Authorised Credit Providers**"), pursuant to which the Authorised Credit Providers agree to make certain facilities available to YWS for the purpose of funding certain working capital, capital expenditure and other expenses of the YW Financing Group.

YWS and/or the Issuer and/or YWSF may enter into certain currency, index linked and interest rate hedging agreements (together, the "**Hedging Agreements**") with certain hedge counterparties (together the "**Hedge Counterparties**") in respect of certain Sub-Classes of Bonds and Authorised Credit Facilities, pursuant to which the Issuer, YWSF or YWS, as the case may be, hedges certain of its currency, index linked and interest rate obligations.

The Bond Trust Deed, the Bonds (including the applicable Final Terms or Drawdown Prospectus), the Participating YWSF Bond Trust Deeds, the Participating YWSF Bonds (including the applicable final terms), the Security Agreement, the STID, (the STID, the Security Agreement and any other documentation evidencing or creating security over any asset of an Obligor to a Secured Creditor under the Finance Documents being together the "**Security Documents**"), the Financial Guarantee Fee Letters, the Finance Lease Documents, the Agency Agreement, the Liquidity Facility Agreements, the Hedging Agreements, the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements, the YWSF/YWS Loan Agreements, the G&R Deeds, the Financial Guarantees, the Common Terms Agreement, the CP Agreement, the Existing Authorised Credit Finance Contracts, any other Authorised Credit Facilities, the master definitions agreement originally between, among others, Yorkshire Water Services Bradford Finance Limited, Yorkshire Water Services Odsal Finance Limited, and the Security Trustee dated the Closing Date and as amended, supplemented and/or amended and restated from time to time (the "**Master Definitions Agreement**"), the account bank agreement originally between, among others, the account bank, Yorkshire Water Services Bradford Finance Limited, Yorkshire Water Services Odsal Finance Limited, and the Security Trustee (the "**Account Bank Agreement**"), the Tax Deed of Covenant, any indemnification deed between, among others, a Financial Guarantor and the Dealers (an "**Indemnification Deed**") and any related security document (each, if not defined above, as defined below or in the Master Definitions Agreement) are, in relation to the Bonds, (and together with each other agreement or instrument originally between YWS or Yorkshire Water Services Bradford Finance Limited or Yorkshire Water Services Odsal Finance Limited (as applicable) and an Additional Secured Creditor designated as a Finance Document by YWS or Yorkshire Water Services Bradford Finance Limited or Yorkshire Water Services Odsal Finance Limited (as applicable), the Security Trustee and such Additional Secured Creditor in the Accession Memorandum of such Additional Secured Creditor) together referred to as the "**Finance Documents**".

The Issuer is a public limited company, incorporated in accordance with the laws of England and Wales on 2 July 2018, with company number 11444372 and registered business address at Western House, Halifax Road, Bradford, United Kingdom, BD6 2SZ.

Terms not defined in these Conditions have the meaning set out in the Master Definitions Agreement.

Certain statements in these Conditions are summaries of the detailed provisions appearing on the face of the Bonds (which expression shall include the body thereof), in the relevant Final Terms or Drawdown Prospectus or in the Bond Trust Deed, the Security Agreement or the STID. Copies of, *inter alia*, the Finance Documents are available for inspection during normal business hours at the specified offices of the Principal Paying Agent (in the case of bearer Bonds) or the specified offices of the Transfer Agents and the Registrar (in the case of registered Bonds), and electronic copies are also available to Bondholders upon request to the Bond Trustee, the Principal Paying Agent, the Transfer Agents and the Registrar (as applicable).

The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Bond Trust Deed, the STID, the Security Agreement, the Common Terms Agreement and the relevant Final Terms or Drawdown Prospectus and to have notice of those provisions of the Agency Agreement and the other Finance Documents applicable to them.

Any reference in these Conditions to a matter being "specified" means as the same may be specified in the relevant Final Terms or Drawdown Prospectus.

1 Form, Denomination and Title

(a) Form and Denomination

The Bonds are in bearer form ("**Bearer Bonds**") or in registered form ("**Registered Bonds**") as specified in the applicable Final Terms or Drawdown Prospectus and, serially numbered in the Specified Denomination(s) **provided that** in the case of any Bonds which are to be admitted to trading on a regulated market within the United Kingdom or offered to the public in the United Kingdom or a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the UK Prospectus Regulation, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Bonds). Bonds of one Specified Denomination may not be exchanged for Bonds of another Specified Denomination and Registered Bonds may not be exchanged for Bearer Bonds and vice versa. References in these Conditions to "Bonds" include Bearer Bonds and Registered Bonds and all Sub-Classes, Classes, Tranches and Series.

Interest-bearing Bearer Bonds are issued with Coupons (as defined below) (and, where appropriate, a Talon, (as defined below)) attached. After all the Coupons attached to, or issued in respect of, any Bearer Bond which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent. Any Bearer Bond the principal amount of which is redeemable in instalments may be issued with one or more Receipts (as defined below) (and, where appropriate, a Talon) attached thereto. After all the Receipts attached to, or issued in respect of, any Instalment Bond which was issued with a Talon have matured, a receipt sheet comprising further Receipts (other than Receipts which would be void) and (if necessary) a further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

(b) Title

Title to Bearer Bonds, Coupons, Receipts and Talons (if any) passes by delivery. Title to Registered Bonds passes by registration in the register (the "**Register**"), which the Issuer shall procure to be kept by the Registrar.

In these Conditions, subject as provided below, each "**Bondholder**" (in relation to a Bond, Coupon, Receipt or Talon), "**holder**" and "**Holder**" means: (i) in relation to a Bearer Bond, the bearer of any Bearer Bond, Coupon, Receipt or Talon (as the case may be); and (ii) in relation to Registered Bond, the person in whose name a Registered Bond is registered, as the case may be. The expressions "**Bondholder**", "**holder**" and "**Holder**" include the holders of instalment receipts (which, in relation to Class A Bonds will be "**Class A Receipts**", in relation to Class B Bonds, "**Class B Receipts**" and together, the "**Receipts**"), appertaining to the payment of principal by instalments (if any) attached to such Bonds in bearer form (the "**Receiptholders**"), the holders of the coupons (which, in relation to Class A Bonds will be "**Class A Coupons**", in relation to Class B Bonds, "**Class B Coupons**" and together, the "**Coupons**") (if any) appertaining to interest bearing Bonds in bearer form (the "**Couponholders**"), and the expression Couponholders or Receiptholders includes the holders of talons in relation to Coupons or Receipts as applicable, (which, in relation to Class A Bonds will be "**Class A Talons**", in relation to Class B Bonds, "**Class B Talons**" and together, the "**Talons**") (if any) for further coupons or receipts, as applicable attached to such Bonds (the "**Talonholders**").

The bearer of any Bearer Bond, Coupon, Receipt or Talon and the registered holder of any Registered Bond will (except as otherwise required by law) be treated as its absolute owner for

all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Bond, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein other than, in the case of a Registered Bond, a duly executed transfer of such Bond in the form endorsed on the Bond Certificate in respect thereof) and no person will be liable for so treating the holder.

Bonds which are represented by a Global Bond or Registered Global Bond 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 Drawdown Prospectus or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

(c) Fungible Issues of Bonds comprising a Sub-Class

A Sub-Class of Bonds may comprise a number of issues in addition to the initial Tranche of such Sub-Class, each of which will be issued on identical terms save for the first Interest Payment Date, the Issue Date and the Issue Price. Such further issues of the same Sub-Class will be consolidated and form a Series with the prior issues of that Sub-Class.

2 Exchanges of Bearer Bonds for Registered Bonds and Transfers of Registered Bonds

(a) Exchange of Bonds

Subject to Condition 2(e) (*Closed Periods*), Bearer Bonds may, if so specified in the relevant Final Terms or Drawdown Prospectus, be exchanged at the expense of the transferor Bondholder for the same aggregate principal amount of Registered Bonds at the request in writing of the relevant Bondholder and upon surrender of the Bearer Bond to be exchanged together with all unmatured Coupons, Receipts and Talons (if any) relating to it at the specified office of the Registrar or any Transfer Agent or Paying Agent. Where, however, a Bearer Bond is surrendered for exchange after the Record Date (as defined below) for any payment of interest or Interest Amount (as defined below), the Coupon in respect of that payment of interest or Interest Amount need not be surrendered with it.

Registered Bonds may not be exchanged for Bearer Bonds or vice versa.

(b) Transfer of Registered Bonds

A Registered Bond may be transferred upon the surrender of the relevant Definitive Registered Bond, together with the form of transfer endorsed on it duly completed and executed, at the specified office of any Transfer Agent or the Registrar. However, a Registered Bond may not be transferred unless: (i) the principal amount of Registered Bonds proposed to be transferred; and (ii) the principal amount of the Registered Bonds proposed to be the principal amount of the balance of Registered Bonds to be retained by the relevant transferor are, in each case, Specified Denominations (as specified in the relevant Final Terms or Drawdown Prospectus). In the case of a transfer of part only of a holding of Registered Bonds represented by a Definitive Registered Bond, a new Definitive Registered Bond in respect of the balance not transferred will be issued to the transferor within three business days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer.

(c) Delivery of New Definitive Registered Bonds

Each new Definitive Registered Bond to be issued upon exchange of Bearer Bonds or transfer of Registered Bonds will, within three business days (in the place of the specified office of the

Transfer Agent or the Registrar) of receipt of such request for exchange or form of transfer, be available for delivery at the specified office of the Transfer Agent or the Registrar stipulated in the request for exchange or form of transfer, or be mailed at the risk of the Bondholder entitled to the Definitive Registered Bond to such address as may be specified in such request or form of transfer. For these purposes, a form of transfer or request for exchange received by the Registrar after the Record Date (as defined below) in respect of any payment due in respect of Registered Bonds shall be deemed not to be effectively received by the Registrar until the Business Day (as defined below) following the due date for such payment.

(d) Exchange at the Expense of Transferor Bondholder

Registration of Bonds on exchange or transfer will be effected at the expense of the transferor Bondholder by or on behalf of the Issuer, the Transfer Agent or the Registrar, and upon payment of (or the giving of such indemnity as the Transfer Agent or the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

(e) Closed Periods

No transfer of a Registered Bond may be registered, nor any exchange of a Bearer Bond for a Registered Bond may occur: (i) during the period of 15 days ending on the due date for any redemption of, or payment of any Instalment Amount in respect of that Bond; (ii) during the period of 30 days prior to any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 8(b) (*Optional Redemption*) or Condition 8(c) (*Redemption at the Option of the Issuer (Issuer Maturity Call*)); (iii) after any such Bond has been called for redemption; or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status of Bonds and Financial Guarantee

(a) Status of Class A Bonds

This Condition 3(a) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class A Bonds.

The Class A Bonds, Class A Coupons, Class A Talons and Class A Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Secured Creditors*) and rank *pari passu* without any preference among themselves. However, the Class A Unwrapped Bonds will not have the benefit of any Financial Guarantee.

(b) Status of Class B Bonds

This Condition 3(b) is applicable only in relation to Bonds issued by the Issuer which are specified as being a Sub-Class of Class B Bonds.

The Class B Bonds, Class B Coupons, Class B Talons and Class B Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Secured Creditors*), are subordinated to the Class A Bonds, Class A Coupons, Class A Receipts and Class A Talons (if any) and rank *pari passu* without any preference among themselves. However, the Class B Unwrapped Bonds will not have the benefit of any Financial Guarantee.

(c) Financial Guarantee Issued by Financial Guarantor

This Condition 3(c) is applicable only in relation to Bonds which are specified as being a Sub-Class of Wrapped Bonds.

Each Sub-Class of each Class of Wrapped Bonds issued by the Issuer will have the benefit of a Financial Guarantee issued by a Financial Guarantor, issued pursuant to a guarantee and reimbursement deed between, amongst others, the Issuer and a Financial Guarantor dated on or before the relevant Issue Date (as defined below) of such Bonds (each a "**G&R Deed**"). Under the relevant Financial Guarantee, the relevant Financial Guarantor unconditionally and irrevocably agrees to pay to the Bond Trustee all sums due and payable but unpaid by the Issuer in respect of scheduled interest and payment of principal (but excluding FG Excepted Amounts) on such Wrapped Bonds, all as more particularly described in the relevant Financial Guarantee.

The terms of the relevant Financial Guarantee provide that amounts of principal on any such Bonds which have become immediately due and payable (whether by virtue of acceleration, prepayment or otherwise) other than on the relevant Payment Date (as defined under the Financial Guarantee) will not be treated as Guaranteed Amounts (as defined in the Financial Guarantee) which are Due for Payment (as defined in the Financial Guarantee) under the Financial Guarantee unless the Financial Guarantor in its sole discretion elects so to do by notice in writing to the Bond Trustee. The Financial Guarantor may elect to accelerate payments due under the Financial Guarantee in full or in part. All payments made by the relevant Financial Guarantor under the relevant Financial Guarantee in respect of partial acceleration shall be applied: (i) to pay the Interest (as defined in the relevant Financial Guarantee) accrued but unpaid on the Principal (as defined in the relevant Financial Guarantee) of such part of the accelerated payment; and (ii) to reduce the Principal (as defined in the relevant Financial Guarantee) (or, in the case of Wrapped Bonds repayable in instalments, each principal repayment instalment on a *pro rata* basis with a corresponding reduction of each amount of the Interest (as determined in the Financial Guarantee)) outstanding under the relevant Sub-Classes of Wrapped Bonds. If no such election is made, the Financial Guarantor will continue to be liable to make payments in respect of the Bonds pursuant to the relevant Financial Guarantee on the dates on which such payments would have been required to be made if such amounts had not become immediately due and payable.

To the extent that the early redemption price of any Bonds exceeds the aggregate of the Principal Amount Outstanding of any such Bonds and any accrued interest outstanding on any such Bonds to be redeemed (each as adjusted for indexation in accordance with Condition 7 (Application of the Index Ratio), if applicable), payment of such early redemption price will not be guaranteed by the Financial Guarantor under the relevant Financial Guarantee.

(d) Status of Financial Guarantee

This Condition 3(d) is applicable only in relation to Bonds issued by the Issuer which are specified as being a Sub-Class of Wrapped Bonds.

The relevant Financial Guarantee provided by the Financial Guarantor in respect of the Bonds will constitute a direct, unsecured obligation of the Financial Guarantor which will rank at least *pari passu* with all other unsecured obligations of such Financial Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(e) Security Trustee not Responsible for Monitoring Compliance

Subject to certain exceptions, when granting any consent or waiver or exercising any power, trust, authority or discretion relating to or contained in the STID, the other Finance Documents or any Ancillary Documents, the Security Trustee will act in accordance with its sole discretion (where granted such right) or as directed, requested or instructed by or subject to the agreement

of the Majority Creditors (**provided that** the relevant Quorum Requirement has been met) or, in particular cases, other specified parties and in accordance with the provisions of the STID.

The Security Trustee shall not be responsible for monitoring compliance by YWS with any of its obligations under the Finance Documents to which it is a party except by means of receipt from YWS of certificates of compliance which YWS has covenanted to deliver to the Security Trustee pursuant to the provisions of the Common Terms Agreement and which will state among other things, that no Default is outstanding. The Security Trustee shall be entitled to rely on certificates absolutely unless it is instructed otherwise by the Majority Creditors (**provided that** the relevant Quorum Requirement has been met) in which case it will be bound to act on such instructions in accordance with the STID. The Security Trustee is not responsible for monitoring compliance by any of the parties with their respective obligations under the Finance Documents. The Security Trustee may call for and is at liberty to accept as sufficient evidence a certificate signed by any two Authorised Signatories of any Obligor or any other party to any Finance Document to the effect that any particular dealing, transaction, step or thing is in the opinion of the persons so certifying suitable or expedient or as to any other fact or matter upon which the Security Trustee may require to be satisfied. The Security Trustee is in no way bound to call for further evidence or be responsible for any loss that may be occasioned by acting on any such certificate although the same may contain some error or is not authentic. The Security Trustee is entitled to rely upon any certificate believed by it to be genuine and will not be liable for so acting.

All Bondholders shall (on providing sufficient evidence of identity) be entitled to view a copy of the Periodic Information as and when available to the Security Trustee pursuant to the terms of the Common Terms Agreement and to view a copy of the unaudited interim accounts and audited annual accounts of YWS within 60 days of 30 September and 120 days of 31 March of each year, respectively.

In addition, each Guarantor has covenanted to provide the Security Trustee with certain additional information (as set out in Schedule 5, Part 1 "*Information Covenants*" of the Common Terms Agreement). Such information may be published on a website designated by the relevant Guarantor and the Security Trustee.

In the event the relevant website cannot be accessed for technical reasons or is non-operational or is infected by an electronic virus or function software for a period of five consecutive days, all such information set out above which would otherwise be available will be delivered to the Security Trustee in paper form for onward delivery to the Bond Trustee and the Agents. Copies of such information will be available for inspection at the specified office of the Agents and the Bond Trustee.

4 Security, Priority and Relationship with Secured Creditors

(a) Guarantee and Security

Under the Security Agreement, Yorkshire Water Services Holdings Limited ("**YWH**") unconditionally and irrevocably guarantees the obligations of each other Obligor under the Finance Documents and YWS, YWSF, and the Issuer will unconditionally and irrevocably guarantee the obligations of each other under the Finance Documents, in each case to the Security Trustee for itself and on behalf of the Secured Creditors on the terms set out in the Security Documents (including, without limitation, the Bond Trustee for itself and on behalf of the Bondholders) and secures such obligations upon the whole of its property, undertaking, rights and assets, subject to certain specified exceptions and, in the case of YWS, to the terms of the Instrument of Appointment (as defined below) and any requirements thereunder or the

Act (as defined below). There is no intention to create further security for the benefit of the holders of Bonds that may be issued after the Closing Date. All Bonds issued by the Issuer under the Programme and any additional creditor of the Issuer acceding to the STID will share in the security (the "**Security**") constituted by the Security Documents.

In these Conditions:

the "**Act**" means the United Kingdom Water Industry Act 1991 (as amended); and "**Instrument of Appointment**" means the instrument of appointment dated 1989 as amended under which the Secretary of State for the Environment appointed YWS as a water and sewerage undertaker under the Act for the areas described in the Instrument of Appointment, as modified or amended from time to time.

"**Obligors**" means the Issuer, YWSF, YWS and YWH, together with any other entity which accedes to the Finance Documents as an Obligor in accordance with the terms thereof (including any Permitted Subsidiary), and "**Obligor**" means any of them.

(b) Relationship among Bondholders and with other Secured Creditors

The Bond Trust Deed contains provisions detailing the Bond Trustee's obligations to consider the interests of the Bondholders as regards all powers, trusts and authorities, duties and discretions of the Bond Trustee (except where expressly provided or otherwise referred to in Condition 16 (*Bond Trustee Protections*).

The STID provides that the Security Trustee (except in relation to Reserved Matters and Entrenched Rights and subject to certain exceptions) will act on instructions of the Majority Creditors (**provided that** the relevant Quorum Requirement has been met) (including the Bond Trustee as trustee for and representative of the holders of each Sub-Class of Wrapped Bonds (following the occurrence of an FG Event of Default in respect of the Financial Guarantor of such Wrapped Bonds which is continuing) and the holders of each Sub-Class of Unwrapped Bonds) and, when so doing, the Security Trustee is not required to have regard to the interests of any Secured Creditor (including the Bond Trustee as trustee for and representative of the Bondholders or any individual Bondholder) in relation to the exercise of such rights and, consequently, has no liability to the Bondholders as a consequence of so acting.

(c) Enforceable Security

In the event of the Security becoming enforceable as provided in the STID, the Security Trustee shall, if instructed by the Majority Creditors (**provided that** the relevant Quorum Requirement has been met) or pursuant to a valid Emergency Instruction Notice, enforce its rights with respect to the Security in accordance with the instructions of the Majority Creditors or with such Emergency Instruction Notice, but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Bondholder, **provided that** the Security Trustee shall not be obliged to take any action unless it is indemnified and/or secured and/or prefunded to its satisfaction.

(d) Application After Enforcement

After enforcement of the Security, the Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Accounts (other than the Excluded Accounts) to make payments in accordance with the Payment Priorities (as set out in the Common Terms Agreement).

(e) Bond Trustee and Security Trustee not liable for security

The Bond Trustee and the Security Trustee will not be liable for any failure to make the usual investigations or any investigations which might be made by a security holder in relation to the property which is the subject of the Security, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the relevant Obligor to the Security, whether such defect or failure was known to the Bond Trustee or the Security Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the Security created under the Security Documents whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such Security. The Bond Trustee and the Security Trustee have no responsibility for the value of any such Security.

5 Issuer's Covenants

So long as any of the Bonds remain Outstanding, the Issuer has agreed to comply with the covenants as set out in Schedule 4 (*Covenants*) of the Common Terms Agreement.

The Bond Trustee shall be entitled to rely absolutely on a certificate of any director of the Issuer in relation to any matter relating to such covenants and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter stated in such certificate.

6 Interest and other Calculations

(a) Interest on Fixed Rate Bonds and Indexed Bonds

This Condition 6(a) is applicable only if the relevant Final Terms or Drawdown Prospectus specifies the Bonds as Fixed Rate Bonds or Indexed Bonds.

Each Fixed Rate Bond and Indexed Bond bears interest on its Principal Amount Outstanding and, if it is an Indexed Bond, adjusted for indexation in accordance with Condition 7 (*Indexation*)) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Interest Rate(s). Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

The amount of interest payable in respect of each Fixed Rate Bond and Indexed Bond shall be the amount of interest payable per Calculation Amount multiplied by the Principal Amount Outstanding of such Bond and divided by the Calculation Amount and rounding the resultant figure to the nearest unit of the Relevant Currency in accordance with Condition 6(d) (*Rounding*).

The amount of interest payable per Calculation Amount in respect of any Fixed Rate Bond and Indexed Bond for any Fixed Interest Period shall be equal to the product of the Interest Rate, the Calculation Amount specified, and the Day Count Fraction for such Fixed Interest Period and rounding the resultant figure to the nearest unit of the Relevant Currency in accordance with Condition 6(d) (*Rounding*), unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Period, in which case the amount of interest payable per Calculation Amount in respect of such Bond for such Fixed Interest Period shall equal such Interest Amount (or be calculated in accordance with such formula).

Where any Interest Period comprises two or more Fixed Interest Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Fixed Interest Periods.

If interest is required to be calculated for a period other than a Fixed Interest Period or if no Fixed Coupon Amount is specified in the applicable Final Terms or Drawdown Prospectus, such interest payable per Calculation Amount shall be calculated: (i) in the case of Bonds other than Indexed Bonds, by applying the Interest Rate to the Calculation Amount specified, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest unit of the Relevant Currency in accordance with Condition 6(d) (*Rounding*); and (ii) in the case of Indexed Bonds, on an actual/actual basis in line with the method used by the Debt Management Office for the United Kingdom Index-Linked Gilt Edged Market.

(b) Interest on Floating Rate Bonds

This Condition 6(b) is applicable only if the relevant Final Terms or Drawdown Prospectus specifies the Bonds as Floating Rate Bonds.

(i) *Interest Payment Dates*

Each Floating Rate Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms or Drawdown Prospectus; or

(B) if no Specified Interest Payment Date(s) is/are expressly specified in the applicable Final Terms or Drawdown Prospectus, 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 or Drawdown Prospectus after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

The amount of interest payable in respect of each Floating Rate Bond shall be the amount of interest payable per Calculation Amount multiplied by the Principal Amount Outstanding of such Bond and divided by the Calculation Amount and rounding the resultant figure to the nearest unit of the Relevant Currency in accordance with Condition 6(d) (*Rounding*).

The amount of interest payable per Calculation Amount shall be determined in accordance with paragraph (iii) below.

(ii) *Interest Rate(s)*

The Interest Rate(s) payable from time to time in respect of the Floating Rate Bonds will be determined in the manner specified hereon and the provisions below relating to either Screen Rate Determination or ISDA Determination, depending upon which is specified the applicable Final Terms or Drawdown Prospectus.

(A) Save where the Reference Rate specified in the applicable Final Terms is SONIA, where, "Screen Rate Determination" is specified in the relevant Final Terms or Drawdown Prospectus as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Bonds for each Interest Period will be determined by the Agent Bank (or the Calculation Agent, if applicable) on the following basis:

(1) if the Page (as defined below) displays a rate which is a composite quotation or customarily supplied by one entity, the Agent Bank (or the Calculation Agent, if applicable) will determine the Relevant Rate (as defined in Condition 6(l) (*Definitions*), being EURIBOR, as specified in the applicable Final Terms or Drawdown Prospectus);

(2) in any other case, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the Relevant Rates (as defined in Condition 6(l) (*Definitions*)), being EURIBOR, as specified in the applicable Final Terms or Drawdown Prospectus, which appear on the Page at the Relevant Time (as defined in Condition 6(l) (*Definitions*)) on the relevant Interest Determination Date;

(3) if, in the case of (1) above, such rate does not appear on that Page or, in the case of (2) above, fewer than two such rates appear on that Page or if, in either case, the Page is unavailable:

(a) the Issuer (on behalf of the Agent Bank or the Calculation Agent (if applicable) will request the principal Relevant Financial Centre office of each of the Reference Banks (as defined in Condition 6(l) (*Definitions*)) to provide the Agent Bank (or the Calculation Agent, if applicable) with a quotation of the Relevant Rate at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the Relevant Financial Centre (as defined in Condition 6(l) (*Definitions*)) interbank market (or, if appropriate, money market) in an amount that is representative for a single transaction in that market at that time; and

(b) the Agent Bank (or the Calculation Agent, if applicable) shall determine the arithmetic mean of such quotations; and

(4) if fewer than two such quotations are provided as requested by the Issuer in Condition 6(b)(ii)(A)(3), the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the rates (being the rates nearest to the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable)) quoted by the Reference Banks at approximately 11.00 a.m. (local time in the Relevant Financial Centre of the Relevant Currency) on the first day of the relevant Interest Period (as defined in Condition 6(l) (*Definitions*)) for loans in the Relevant Currency to leading banks in (if the Reference Rate is EURIBOR), the Euro-zone inter-bank market, for a period equal to the relevant Interest Period and in the Representative Amount (as defined in Condition 6(l) (*Definitions*)),

and the Interest Rate for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined. However, if the Agent Bank is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate applicable to the Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Bonds in respect of a preceding Interest Period.

(B) If "ISDA Determination" is specified in the relevant Final Terms or Drawdown Prospectus as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Agent Bank (or the Calculation Agent, if applicable) under an interest rate swap transaction if the Agent Bank (or the Calculation Agent, if applicable) were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) the Floating Rate Option (as defined in the relevant ISDA Definitions) is as specified in the relevant Final Terms or Drawdown Prospectus;

(2) the Designated Maturity (as defined in the relevant ISDA Definitions) is the Specified Duration (as defined in Condition 6(l) (*Definitions*));

(3) the relevant Reset Date (as defined in the relevant ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on EURIBOR, the first day of that Interest Period or (2) in any other case, as specified in the relevant Final Terms or Drawdown Prospectus;

(4) if the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the relevant ISDA Definitions), Compounding is specified to be applicable in the relevant Final Terms and:

(a) Compounding with Lookback is specified as the Compounding Method in the applicable Final Terms, then (a) Compounding with Lookback is the Overnight Rate Compounding Method and (b) Lookback is the number of Applicable Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Final Terms;

(b) Compounding with Observation Period Shift is specified as the Compounding Method in the applicable Final Terms, then (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Final Terms and (c) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions), if applicable, are the days specified in the applicable Final Terms; or

(c) Compounding with Lockout is specified as the Compounding Method in the applicable Final Terms, then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days (as defined in the relevant ISDA Definitions) specified in the Final Terms and (c) Lockout Period Business Days, if applicable, are the days specified in the applicable Final Terms; and

(5) if the specified Floating Rate Option is an Index Floating Rate Option (as defined in the relevant ISDA Definitions) and Index Provisions are specified to be applicable in the relevant Final Terms, the Compounded

Index Method with Observation Period Shift shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Final Terms and (b) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions) are the days, if applicable, specified in the applicable Final Terms);

(6) references in the relevant ISDA Definitions to:

(a) "Confirmation" shall be deemed to be references to the applicable Final Terms;

(b) "Calculation Period" shall be deemed to be references to the relevant Interest Period;

(c) "Termination Date" shall be deemed to be references to the Maturity Date; and

(d) "Effective Date" shall be deemed to be references to the Interest Commencement Date; and

(7) if the Final Terms specify "2021 ISDA Definitions" as the applicable ISDA Definitions:

(a) Administrator/Benchmark Event shall be disapplied; and

(b) if the Temporary Non-Publication Fallback for any specified Floating Rate Option is specified to be "Temporary Non-Publication Fallback – Alternative Rate" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "Calculation Agent Alternative Rate Determination" in the definition of "Temporary Non-Publication Fallback – Alternative Rate" shall be replaced by "Temporary Non-Publication Fallback – Previous Day's Rate",

provided, however, that if the Agent Bank (or Calculation Agent, if applicable) is unable to determine a rate in accordance with the above provisions in relation to any Interest Period, then the Interest Rate applicable to the next succeeding Interest Period shall be equal to the sum of the Margin (if applicable) and the rate last determined in relation to the Bonds in respect of the immediately preceding Interest Period. .

(C) If "Screen Rate Determination" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, and the Reference Rate specified in the applicable Final Terms is SONIA, the Interest Rate applicable to the Bonds for each Interest Period will be either SONIA Compounded Index Rate or SONIA Compounded Daily Reference Rate as specified in the applicable Final Terms *plus or minus* the Margin (as specified in the applicable Final Terms) all as determined by the Agent Bank (or the Calculation Agent, if applicable).

(1) If SONIA Compounded Index Rate is specified as applicable in the relevant Final Terms:

Where: (i) Screen Rate Determination is specified hereon as the manner in which the Interest Rate is to be determined; (ii) the Reference Rate is

specified hereon as being SONIA; and (iii) SONIA Compounded Index Rate is specified hereon, the Interest Rate for each Interest Period will be the SONIA Compounded Index Rate as follows, plus or minus (as indicated hereon) the applicable Margin (if any).

For the purposes of this Condition 6(b)(ii)(C)(1):

"**SONIA Compounded Index Rate**" means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards,

$$\left(\frac{SONIA\ Compounded\ Index_{END}}{SONIA\ Compounded\ Index_{START}} - 1\right) \times \left(\frac{365}{d}\right)$$

provided, however, that, if the SONIA Compounded Index Value is not available in relation to any Interest Period on the Relevant Screen Page for the determination of either or both of SONIA Compounded IndexSTART and SONIA Compounded IndexEND, the Interest Rate shall be calculated for such Interest Period on the basis of the SONIA Compounded Daily Reference Rate as set out in Condition 6(b)(ii)(C)(2) as if SONIA Compounded Daily Reference Rate with Observation Shift had been specified hereon and the "Relevant Screen Page" shall be deemed to be the "Relevant Fallback Screen Page" as specified hereon,

where:

"**d**" means the number of calendar days in the relevant Observation Period;

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

"**Observation Period**" means, in respect of an Interest Period, the period from (and including) the date falling "p" London Business Days prior to the first day of such Interest Period (and the first Observation Period shall begin on and include the date which is "p" London Business Days prior to the Issue Date) and ending on (but excluding) the date which is "p" London Business Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Business Days prior to such earlier date, if any, on which the Bonds become due and payable);

"**p**" means, for any Interest Period the whole number specified hereon (being not less than five, or, if no such number is so specified, five London Business Days) representing a number of London Business Days;

"**SONIA Compounded Index**" means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

"**SONIA Compounded IndexSTART**" means, in respect of an Interest Period, the SONIA Compounded Index Value on the date falling "p" London Business Days prior to: (i) the first day of such Interest Period; or (ii) in the case of the first Interest Period, the Issue Date;

"**SONIA Compounded IndexEND**" means the SONIA Compounded Index Value on the date falling "p" London Business Days prior to: (i) in respect of an Interest Period, the Interest Payment Date for such Interest Period; or (ii) if the Bonds become due and payable prior to the end of an Interest Period, the date on which the Bonds become so due and payable; and

"**SONIA Compounded Index Value**" means in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised distributors on the Relevant Screen Page on such London Business Day or, if the value of the SONIA Compounded Index cannot be obtained from such authorised distributors, as published on the Bank of England's Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) on such London Business Day.

(2) If SONIA Compounded Daily Reference Rate is specified as applicable in the relevant Final Terms:

Where: (i) Screen Rate Determination is specified hereon as the manner in which the Interest Rate is to be determined; (ii) the Reference Rate is specified hereon as being SONIA; and (iii) and SONIA Compounded Daily Reference Rate is specified hereon, the Interest Rate for each Interest Period will be the SONIA Compounded Daily Reference Rate as follows, plus or minus (as indicated hereon) the Margin.

For the purposes of this Condition 6(b)(ii)(C)(2):

"**SONIA Compounded Daily Reference Rate**" means, in respect of an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Calculation Agent on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the fourth decimal place, with 0.00005 being rounded upwards,

$$\left[\prod_{i=1}^{d_o}\left(1 + \frac{SONIA_{\mathrm{i}} \times \mathrm{n_i}}{365}\right) - 1\right] \times \frac{365}{d}$$

Where:

"**London Business Day**", "**Observation Period**" and "**p**" have the meanings set out under Condition 6(b)(ii)(C)(1);

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

(i) Observation Period where Observation Shift is specified hereon; or

(ii) Interest Period where Lag is specified hereon;

"d_o" is the number of London Business Days in the relevant:

(i) Observation Period where Observation Shift is specified hereon; or

(ii) Interest Period where Lag is specified hereon;

"**i**" is a series of whole numbers from one to "d_o", each representing the relevant London Business Day in chronological order from, and including, the first London Business Day in the relevant:

(i) Observation Period where Observation Shift is specified hereon; or

(ii) Interest Period where Lag is specified hereon;

"n_i", for any London Business Day "i", means the number of calendar days from and including such London Business Day "i" up to but excluding the following London Business Day;

"$SONIA_i$" means, in relation to any London Business Day the SONIA reference rate in respect of:

(i) that London Business Day "i" where Observation Shift is specified hereon; or

(ii) the London Business Day (being a London Business Day falling in the relevant Observation Period) falling "p" London Business Days prior to the relevant London Business Day "i" where Lag is specified hereon; and

the "**SONIA reference rate**", in respect of any London Business Day, is a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page on the next following London Business Day or, if the Relevant Screen Page is unavailable, as published by authorised distributors on such London Business Day or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England's Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA reference rate)

(D) Where SONIA is specified as the Reference Rate hereon and either: (i) SONIA Compounded Daily Reference Rate is specified hereon; or (ii) the SONIA Compounded Index Rate is specified hereon and Condition 6(b)(ii)(C)(2) applies, if, in respect of any London Business Day, the SONIA reference rate is not available on the Relevant Screen Page or Relevant Fallback Screen Page as applicable, (or as otherwise provided in the relevant definition thereof), such Reference Rate shall be:

1. (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one

highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or

2. if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof), and

in each case, SONIA shall be interpreted accordingly.

(E) If the Interest Rate cannot be determined in accordance with the foregoing provisions the Interest Rate shall be: (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Interest Rate or Minimum Interest Rate is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Interest Rate or Minimum Interest Rate relating to the relevant Interest Period, in place of the Margin or Maximum Interest Rate or Minimum Interest Rate relating to that last preceding Interest Period); or (ii) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to such Series of Bonds for the first Interest Period had the Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Interest Rate or Minimum Interest Rate applicable to the first Interest Period).

If the relevant Series of Bonds become due and payable in accordance with Condition 11 (*Event of Default*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified hereon, be deemed to be the date on which such Bonds became due and payable and the Interest Rate on such Bonds shall, for so long as any such Bond remains outstanding, be that determined on such date.

(iii) *Calculations*

The amount of interest payable per Calculation Amount in respect of any Floating Rate Bond for each Interest Period shall be calculated by multiplying the product of the Interest Rate and the Calculation Amount specified by the Day Count Fraction (as defined in Condition 6(l)(*Definitions*) and rounding the resultant figure to the nearest unit of the Relevant Currency (rounded in accordance with Condition 6(d) (*Rounding*)).

(c) Minimum Interest Rate and/or Maximum Interest Rate

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms or Drawdown Prospectus, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified, as the case may be, provided that the Minimum Interest Rate may not be less than zero. If no Minimum Interest Rate is specified in the relevant Final Terms or Drawdown Prospectus, then it shall be deemed to be zero.

(d) Rounding

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

(i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);

(ii) all figures will be rounded to seven significant figures (with halves being rounded up); and

(iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, "**unit**" means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

(e) Business Day Convention

If any date referred to in these Conditions or the relevant Final Terms or Drawdown Prospectus is specified to be subject to adjustment in accordance with a Business Day convention and: (x) if there is no numerically corresponding day on the calendar month in which such date should occur; or (y) such date would otherwise fall on a day which is not a Business Day (as defined in Condition 6(l) (*Definitions*)), then if the Business Day Convention specified in the relevant Final Terms or Drawdown Prospectus is:

(i) the "**Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day;

(ii) the "**Modified Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or

(iii) the "**Preceding Business Day Convention**", such date shall be brought forward to the immediately preceding Business Day.

(f) Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank (or the Calculation Agent, if applicable) may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (an "**Instalment Amount**"), obtain any quote or make any determination or calculation, the Agent Bank (or the Calculation Agent, if applicable) will determine the Interest Rate and calculate the Interest Amount for the relevant Interest Period (including, for the avoidance of doubt any applicable Index Ratio to be calculated in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*), calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount, Principal Amount Outstanding or any Instalment Amount to be notified to, in the case of Bearer Bonds, the Paying Agents or in the case of Registered Bonds, the Registrar, and, in each case, the Bond Trustee, the Issuer, the Bondholders and the London Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Bonds have then been

admitted to listing, trading and/or quotation) as soon as possible after its determination but in no event later than: (i) (in case of notification to the London Stock Exchange and each other listing authority, stock exchange and/or quotation system by which the relevant Bonds have then been admitted to listing, trading and/or quotation) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount; or (ii) in all other cases, the fourth Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Sub-Class or Tranche of Bonds are for the time being listed or by which they have been admitted to listing and to the Bondholders in accordance with Condition 17 (*Notices*). Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b)(ii)(C), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Bond Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Bonds become due and payable under Condition 11 (*Events of Default*), the accrued interest and the Interest Rate payable in respect of the Bonds shall, subject in the case of each of the SONIA Compounded Index Rate and the SONIA Compounded Daily Reference Rate to Condition 6(b)(ii)(C)(2)(i), nevertheless continue to be calculated as previously provided in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Bond Trustee.

If the Calculation Amount is less than the minimum Specified Denomination, the Agent Bank (or the Calculation Agent, if applicable) may publish only the Calculation Amount and the Interest Amount in respect of a Bond having the minimum Specified Denomination. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank (or the Calculation Agent, if applicable) or, as the case may be, the Bond Trustee pursuant to this Condition 6 or Condition 7 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

(g) Accrual of Interest

Interest will cease to accrue on each Bond (or, in the case of the redemption of part only of a Bond, that part only of such Bond) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 6(l) (*Definitions*)).

(h) Deferral of interest on Class B Bonds

This Condition 6(h) is applicable only in relation to Bonds issued by the Issuer which are specified as being Class B Bonds.

In the case of interest on Class B Bonds only, if, on any Interest Payment Date prior to the taking of Enforcement Action, there are insufficient funds available to the Issuer (after taking into account any amounts available to be drawn under any DSR Liquidity Facility or from the Debt Service Reserve Accounts) to pay such accrued interest, the Issuer's liability to pay such accrued interest will be treated as not having fallen due and will be deferred until the earliest of: (i) the next following Interest Payment Date on which the Issuer has, in accordance with the cash management provisions of Schedule 11 (*Cash Management*) of the Common Terms Agreement, sufficient funds available to pay such deferred amounts (including any interest

accrued thereon); (ii) the date on which the Class A Debt has been paid in full; and (iii) an Acceleration of Liabilities (other than a Permitted Hedge Termination, a Permitted Lease Termination or a Permitted EIB Compulsory Prepayment Event) and in the case of a Permitted Share Pledge Acceleration only to the extent that there would be sufficient funds available in accordance with the Payment Priorities to pay such deferred interest (including any interest accrued thereon). Interest will accrue on such deferred interest at the rate otherwise payable on unpaid principal of such Class B Bonds.

(i) Agent Bank, Calculation Agent and Reference Banks

The Issuer will procure that there shall at all times be an Agent Bank (and a Calculation Agent, if applicable) and four Reference Banks selected by the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) with offices in the Relevant Financial Centre if provision is made for them in these Conditions applicable to this Bond and for so long as it is Outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) will select another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Agent Bank (or the Calculation Agent, if applicable) is unable or unwilling to act as such or if the Agent Bank (or the Calculation Agent, if applicable) fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint (with the prior written consent of the Bond Trustee) a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(j) Determination or Calculation by Bond Trustee

If the Agent Bank (or the Calculation Agent, if applicable) does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it, the Bond Trustee shall (without liability for so doing) determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to the terms of the Bond Trust Deed and always subject to any Minimum Interest Rate or Maximum Interest Rate specified in the applicable Final Terms or Drawdown Prospectus) it shall deem fair and reasonable in all the circumstances or, subject as aforesaid, apply the foregoing provisions of this Condition, with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances, and each such determination or calculation shall be deemed to have been made by the Agent Bank (or the Calculation Agent, if applicable).

(k) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 6 (*Interest and Other Calculations*) whether by the Principal Paying Agent, the Agent Bank (or the Calculation Agent, if applicable) or, if applicable, any calculation agent, shall (in the absence of wilful default, negligence, bad faith or manifest error) be binding on the Issuer, YWS, YWSF, YWH, the Agent Bank, the Bond Trustee, the Principal Paying Agent, the other Agents and all Bondholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, YWS, YWSF, YWH, the Bond Trustee, the Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Agent

Bank or, if applicable, any calculation agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(l) Definitions

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

"**Broken Amount**" means the amount specified as such in the relevant Final Terms or Drawdown Prospectus;

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified in the relevant Final Terms or Drawdown Prospectus; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the Relevant Currency (which in the case of a payment in U.S. Dollars shall be New York) and in each (if any) additional city or cities specified in the relevant Final Terms or Drawdown Prospectus;

"**Calculation Amount**" has the meaning specified in the relevant Final Terms or Drawdown Prospectus;

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

(i) if "**Actual/Actual (ICMA)**" is specified:

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

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

(a) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period; and (2) the number of Determination Periods normally ending in any year; and

(b) the number of days in such Calculation Period falling in the next Determination Period divided by the product of: (1) the number of days in such Determination Period; and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year but excluding the next Determination Date; and

"**Determination Date**" means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

(ii) if "Actual/Actual" or "Actual/Actual (ISDA)" is specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is specified, the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is specified, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows;

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

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

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless: (i) that day is the last day of February; or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless: (i) that day is the last day of February but not the Maturity Date; or (ii) such number would be 31, in which case D_2 will be 30;

"**EURIBOR**" means the rate for Euro deposits for such period as specified in the relevant Final Terms or Drawdown Prospectus and for each Interest Period thereafter, for Euro deposits for the relevant Interest Period as determined by reference to: (1) on the display page designated EURIBOR01 on the Dow Jones Reuters Service (or such other page as may replace that page on that service, or such other service as may be nominated by the Agent Bank as the information vendor, for the purpose of displaying comparable rates) on the Interest Determination Date; or (2) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Agent Bank) as may replace the Dow Jones Reuters Monitor as at or about 11.00 a.m. (Brussels time);

"**euro**" means the lawful currency of the Participating Member States;

"**Fixed Coupon Amount**" means the amount specified as such in the relevant Final Terms or Drawdown Prospectus;

"**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.

"**Interest Amount**" means:

(i) in respect of a Fixed Interest Period, the amount of interest payable per Calculation Amount for that Fixed Interest Period and which, in the case of Fixed Rate Bonds, and

unless otherwise specified, shall mean the Fixed Coupon Amount or Broken Amount specified as being payable on the Interest Payment Date at the end of the Interest Period of which such Fixed Interest Period forms part;

(ii) in respect of an Interest Period, the amount of interest payable per Calculation Amount for that Interest Period; and

(iii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Final Terms or Drawdown Prospectus;

"**Interest Determination Date**" means, with respect to an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or Drawdown Prospectus or, if none is so specified: (i) if the Reference Rate is not SONIA, the day falling two Business Days in London prior to the first day of such Interest Period (or if the Relevant Currency is sterling the first day of such Interest Period); or (ii) if the Reference Rate is SONIA, the day falling five Business Days in London prior to the Interest Payment Date for such Interest Period (in each case as adjusted in accordance with any Business Day Convention (as defined below) specified in the relevant Final Terms or Drawdown Prospectus) or, in the case of Indexed Bonds, the first Business Day on which it is practicable to calculate the Index Ratio applicable to the relevant Calculation Date in accordance with Condition 7(a) (*Definitions (RPI)*);

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the rate of interest payable from time to time in respect of the Bonds and which is either specified as such in, or calculated in accordance with the provisions of, these Conditions and/or the relevant Final Terms or Drawdown Prospectus;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Bonds of the relevant Sub-Class as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Final Terms or Drawdown Prospectus, the 2021 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Bonds of the relevant Sub-Class as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" means the date specified as such in the relevant Final Terms or Drawdown Prospectus;

"**Margin**" means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or Drawdown Prospectus;

"**Maturity Date**" means the date specified in the relevant Final Terms or Drawdown Prospectus as the final date on which the principal amount of the Bond is due and payable;

"**Maximum Interest Rate**" means the rate specified as such in the relevant Final Terms or Drawdown Prospectus;

"**Minimum Interest Rate**" means the rate specified as such in the relevant Final Terms or Drawdown Prospectus;

"**Page**" means such page, section, caption, column or other part of a particular information service (including the Reuters Money 3000 Service **("Reuters**")) as may be specified in the relevant Final Terms or Drawdown Prospectus as a Relevant Screen Page (if the Relevant Rate is not SONIA), or for the purposes of providing the SONIA reference rate (if the Relevant Rate is SONIA), or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices comparable to that Relevant Rate or the SONIA reference rate, as applicable;

"**Participating Member State**" means a member state of the European Community that adopts or has adopted the euro as its lawful currency under the legislation of the European Union for European Monetary Union;

"**Principal Amount Outstanding**" means, in relation to a Bond, Sub-Class or Class, the original face value thereof (in relation to any Indexed Bonds, as adjusted in accordance with the Conditions) less any repayment of principal made to the Holder(s) thereof in respect of such Bond, Sub-Class or Class;

"**Redemption Amount**" means, the amount provided under Condition 8(b) (*Optional Redemption*), unless otherwise specified in the relevant Final Terms or Drawdown Prospectus;

"**Reference Banks**" means the institutions specified as such or, if none, four major banks selected by the Agent Bank (or the Calculation Agent, if applicable) in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable), on behalf of the Issuer, in its sole and absolute discretion;

"**Reference Rate**" means the rate specified as such in the relevant Final Terms;

"**Relevant Currency**" means the currency specified as such or, if none is specified, the currency in which the Bonds are denominated;

"**Relevant Date**" means the earlier of: (a) the date on which all amounts in respect of the Bonds have been paid; and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Bonds in accordance with Condition 7(b) (*Application of Index Ratio (RPI)*)) has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Bondholders in accordance with Condition 17 (*Notices*);

"**Relevant Financial Centre**" means, with respect to any Bond, the financial centre specified as such in the relevant Final Terms or Drawdown Prospectus or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable);

"**Relevant Rate**" means the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the relevant Final Terms or Drawdown Prospectus);

"**Relevant Screen Page**" means EURIBOR, SONIA or such page, section, caption, column or other part of a particular information service as may be specified (or any successor or replacement page, section, caption, column or other part of a particular information service);

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or Drawdown Prospectus or, if

none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

"**Representative Amount**" means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Final Terms or Drawdown Prospectus as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

"**Specified Denomination**" means the denomination specified in the relevant Final Terms or Drawdown Prospectus;

"**Specified Duration**" means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Final Terms or Drawdown Prospectus or, if none is specified, a period of time equal to the relative Interest Period;

"**Specified Interest Payment Date**" means the date(s) specified as such in the relevant Final Terms or Drawdown Prospectus;

"**Specified Period**" means the period(s) specified as such in the relevant Final Terms or Drawdown Prospectus;

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system; and

"**TARGET Settlement Day**" means any day on which T2 is open for the settlement of payments in euro.

7 Indexation

This Condition 7 is applicable only if the relevant Final Terms or Drawdown Prospectus specifies the Bonds as Indexed Bonds.

Where RPI is specified as the Index or Index Figure (each as defined below) in the applicable Final Terms, the following Conditions 7(a) to 7(e) will apply:

(a) Definitions (RPI)

"**Affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose, "control" means control as defined in the Companies Act;

"**Base Index Figure**" means (subject to Condition 7(c)(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms or Drawdown Prospectus;

"**Calculation Date**" means any date when a payment of interest or, as the case may be, principal falls due;

"**Index**" or "**Index Figure**" means, in relation to any relevant month (as defined in Condition 7(c)(ii) (*Delay in publication of* Index)), subject as provided in Condition 7(c)(i) (*Change in base*), if the UK Retail Price Index (RPI) is specified in the applicable Final Terms, the RPI (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt.

Where RPI is specified as the Index or Index Figure in the applicable Final Terms, any reference to the "Index Figure applicable" to a particular Calculation Date shall, subject as provided in Condition 7(c)(*Changes in Circumstances Affecting the Index (RPI)*) and Condition 7(e) (*Cessation of or Fundamental Changes to the Index(RPI)*) below, and if "3 months lag" is specified in the relevant Final Terms or Drawdown Prospectus, be calculated in accordance with the following formula:

$$\text{IFA} = \text{RPI}_{\text{m}-3} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (\text{RPI}_{\text{m}-2} - \text{RPI}_{\text{m}-3})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

"**IFA**" means the Index Figure applicable;

"**$\text{RPI}_{\text{m}-3}$**" means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due;

"**$\text{RPI}_{\text{m}-2}$**" means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

Any reference to the "**Index Figure applicable**" to a particular Calculation Date shall, subject as provided in Condition 7(c)(*Changes in Circumstances Affecting the Index (RPI)*) and Condition 7(e) (*Cessation of or Fundamental Changes to the Index(RPI)*) below, and if "8 months lag" is specified in the relevant Final Terms or Drawdown Prospectus, be calculated in accordance with the following formula:

$$\text{IFA} = \text{RPI}_{\text{m}-8} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (\text{RPI}_{\text{m}-7} - \text{RPI}_{\text{m}-8})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

"**IFA**" means the Index Figure applicable;

"**$\text{RPI}_{\text{m}-8}$**" means the Index Figure for the first day of the month that is eight months prior to the month in which the payment falls due;

"**$\text{RPI}_{\text{m}-7}$**" means the Index Figure for the first day of the month that is seven months prior to the month in which the payment falls due;

"**Index Ratio**" applicable to any Calculation Date means the Index Figure applicable to such date divided by the Base Index Figure;

"**Limited Index Ratio**" means: (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

"**Limited Indexation Factor**" means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month twelve months prior thereto, **provided that**: (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms or Drawdown Prospectus, it shall be deemed to be equal to such Maximum Indexation Factor; and (b) if such ratio is less than the

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

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

"**Limited Indexed Bonds**" means Indexed Bonds to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms or Drawdown Prospectus) applies;

"**Maximum Indexation Factor**" means the indexation factor specified as such in the relevant Final Terms or Drawdown Prospectus;

"**Minimum Indexation Factor**" means the indexation factor specified as such in the relevant Final Terms or Drawdown Prospectus; and

"**Reference Gilt**" means the Treasury Stock specified as such in the relevant Final Terms or Drawdown Prospectus for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an "**Indexation Adviser**").

(b) Application of the Index Ratio (RPI)

Each payment of interest and principal in respect of the Bonds shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Indexed Bonds applicable to the month in which such payment falls to be made and rounded in accordance with Condition 6(d) (*Rounding*).

(c) Changes in Circumstances Affecting the Index (RPI)

(i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefore, then with effect from the calendar month from and including that in which such substitution takes effect (1) the definition of "Index" and "Index Figure" in Condition 7(a) (*Definitions (RPI)*) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefore); and (2) the new Base Index Figure shall be the product of the existing Base Index Figure (being at the Closing Date 178.2) and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) Delay in publication of Index: If the Index Figure relating to any month (the "relevant month") which is required to be taken account for the purposes of the determination of the Index Figure applicable for any date is not published on or before the fourteenth business day before the date on which any payment of interest or principal on the Bonds is due (the "**date for payment**"), the Index Figure relating to the relevant month shall be (1) such substitute index figure (if any) as the Issuer considers to have been published by the Bank of England or, as the case may be, the United Kingdom Debt Management Office (or such other designated debt manager of His Majesty's Treasury, from time to time) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser; or (2) if no such determination is made by such Indexation Adviser within 7 days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 7(c)(i) (*Change in base*)) before the date for payment.

(d) Application of Changes (RPI)

Where the provisions of Condition 7(c)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7(c)(ii)(2) (*Delay in publication of Index*), the Index Figure relating to the relevant month is subsequently published while a Bond is still Outstanding, then:

(i) in relation to a payment of principal or interest in respect of such Bond other than upon final redemption of such Bond, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7(c)(ii)(2) (*Delay in publication of Index*), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth Business Day before the date for payment; and

(ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) Cessation of or Fundamental Changes to the Index (RPI)

(i) If (1) the Issuer has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published; or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Issuer (following consultation with an Indexation Adviser), be materially prejudicial to the interests of the Bondholders, the Issuer will give written notice of such occurrence to the Bondholders, and the Issuer shall: (i) following consultation with an Indexation Adviser, determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no 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; or (ii) appoint a bank or other person in London (such bank or other person so appointed being referred to as the "**Expert**") to determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no 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. Any Expert so appointed shall act as an expert and not as an arbitrator and the determination of such Expert shall be binding on the Bondholders. All fees, costs and expenses of the Expert and the Issuer and the Bond Trustee in connection with such appointment shall be borne by the Issuer.

(ii) The Index shall be adjusted or replaced by a substitute index as determined by the Issuer or 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 Issuer may determine, and notify to the Bond Trustee and Bondholders, as 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 Financial Guarantor(s), the other Secured Creditors, the Bond Trustee and the Bondholders. Notices to the Bondholders pursuant to this Condition shall be given by the Issuer as promptly as practicable and in accordance with Condition 17 (*Notices*).

Where CPI or CPIH is specified as the Index or Index Figure (each as defined below) in the applicable Final Terms, the following Conditions 7(f) to 7(h) will apply:

(f) Definitions (CPI and CPIH)

"**Base Index Figure**" means, subject as provided in Condition 7(h) below, the base index figure as specified in the applicable Final Terms;

"**Calculation Date**" means any Interest Payment Date, the Maturity Date or any other date on which principal falls due;

"**IFA**" means the Index Figure applicable;

"**Index**" or "**Index Figure**" means, subject as provided in Condition 7(h) below: (i) if UK Consumer Price Index is specified in the applicable Final Terms, the Consumer Price Index ("**CPI**") (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any); or (ii) if UK Consumer Price Index including owner occupiers' housing costs is specified in the applicable Final Terms, the CPI including owner occupiers' housing costs ("**CPIH**") (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any).

Where CPI is specified as the Index or Index Figure in the applicable Final Terms, any reference to the Index Figure applicable to any day ("**d**") in any month ("**m**") shall, subject to Condition 7(h) below, be calculated in accordance with the following formula:

$$IFA = CPI_{m-t} + \frac{nbd}{q_m} x \left(CPI_{m-(t-1)} - CPI_{m-t} \right)$$

Where:

"**CPI_{m-t}**" means the Index Figure for the first day of the month that is t months prior to the month in which an Interest Payment Date occurs where t has a value of 1 to 24 as specified in the applicable Final Terms;

"**nbd**" means the actual number of days from and excluding the first day of month m to but including day d and, for the avoidance of doubt, where d is the first day of month m, nbd shall be equal to zero;

"**q_m**" means the actual number of days in month m;

Where CPIH is specified as the Index or Index Figure in the applicable Final Terms, any reference to the Index Figure applicable to any day ("**d**") in any month ("**m**") shall, subject to Condition 7(h) below, be calculated in accordance with the following formula:

$$IFA = CPIH_{m-t} + \frac{nbd}{q_m} x \left(CPIH_{m-(t-1)} - CPIH_{m-t} \right)$$

Where:

"**$CPIH_{m-t}$**" means the Index Figure for the first day of the month that is t months prior to the month in which an Interest Payment Date occurs where t has a value of 1 to 24 as specified in the applicable Final Terms;

"**nbd**" means the actual number of days from and excluding the first day of month m to but including day d and, for the avoidance of doubt, where d is the first day of month m, nbd shall be equal to zero;

"q_m" means the actual number of days in month m;

"**Indexed Benchmark Gilt**" means the index-linked sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded on the London Stock Exchange: (i) specified as such in the relevant Final Terms for so long as such index-linked sterling obligation is in issue; and (ii) thereafter, or if not specified in the Final Terms, whose average maturity and indexation terms most closely matches that of the Bonds as a gilt-edged market maker or other adviser selected by the Issuer (an "**Indexation Adviser**") shall determine to be appropriate, provided that if no such index-linked sterling obligation exists which has the same indexation terms, the Independent Adviser shall consider obligations with the most economically similar indexation terms; and

"**Index Ratio**" applicable to any month means the Index Figure applicable to such month divided by the Base Index Figure and rounded to the nearest fifth decimal place.

(g) Application of the Index Ratio (CPI and CPIH)

Each payment of interest and principal in respect of the Bonds shall be the amount provided in or determined in accordance with these Conditions, multiplied by the Index Ratio applicable to the month or date, as the case may be, in which such payment falls to be made and rounded to fifth decimal places (0.000005 being rounded upwards).

(h) Changes in circumstances affecting the Index (CPI and CPIH)

(i) *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 from and including that in which such substitution takes effect or, as the case may be, from the first date from and including that on which such substitution takes effect:

(A) the definition of "**Index**" and "**Index Figure**" in Condition 7(f) shall be deemed to refer to the new date, month or year as applicable in substitution for 2015 (or, as the case may be, to such other date, month or year as applicable as may have been substituted therefor); and

(B) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure for the date on which such substitution takes effect, divided by the Index Figure for the date immediately preceding the date on which such substitution takes effect.

(ii) *Changes in Circumstances Affecting the Index: delay in publication of the Index*: If the Index Figure relating to any month (the "**relevant month**") which is required to be taken into account for the purposes of determining the Index Figure for any date (the "**relevant figure**") has not been published on or before the 14th business day before the date on which such payment is due (the "date for payment"), the Calculation Agent shall determine a substitute index figure (the "**Substitute Index Figure**") as follows:

Substitute Index Figure=Base Figure ×(Latest Figure/Reference Figure)

where:

"**Base Figure**" means the level of the Index published or announced by the National Office of Statistics (or any successor entity which publishes the Index) in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Figure is determined;

"**Latest Figure**" means the latest level of the Index published or announced by the National Office of Statistics (or any successor entity which publishes the Index) prior to the month in respect of which the Substitute Index Figure is being calculated; and

"**Reference Figure**" means the level of the Index published or announced by the National Office of Statistics (or any successor entity which publishes the Index) in respect of the month that is 12 calendar months prior to the month referred to in the definition of Latest Figure above.

(iii) *Application of Changes*: If:

(A) an Index Figure having been applied pursuant to paragraph (ii) above, the Index Figure relating to the relevant month, is subsequently published while a Bond is still outstanding; or

(B) within 30 days of publication, the National Office of Statistics (or any successor entity which publishes the Index) corrects the level of the Index to remedy a manifest error in its original publication,

then:

(a) in relation to a payment of principal or interest in respect of such Bond other than upon final redemption of such Bond, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Substitute Index Figure applicable by virtue of paragraph (ii) above or the Index Figure as originally published, as applicable, above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the 14th business day before the date for payment; and

(b) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(iv)

(A) If:

(1) the Issuer has been notified by the Calculation Agent that the Index has ceased to be published; or

(2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Issuer (following consultation with an Indexation Adviser), be materially prejudicial to the interests of the Bondholders,

the Issuer will give written notice of such occurrence to the Bondholders, and the Issuer shall: (i) following consultation with an Indexation Adviser, determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave

the Issuer and the Bondholders in no 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; or (ii) appoint a bank or other person in London (such bank or other person so appointed being referred to as the "**Expert**") to determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no 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. Any Expert so appointed shall act as an expert and not as an arbitrator and the determination of such Expert shall be binding on the Bondholders. All fees, costs and expenses of the Expert, the Issuer and the Bond Trustee in connection with such appointment shall be borne by the Issuer.

(B) The Index shall be adjusted or replaced by a substitute index as determined by the Issuer or 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 Issuer may determine, and notify to the Bond Trustee and Bondholders, as 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 and the other Obligors, the Bond Trustee, the Financial Guarantors, the other Secured Creditors and the Bondholders. Notices to the Bondholders pursuant to this Condition shall be given by the Issuer as promptly as practicable and in accordance with Condition 17 (*Notices*).

8 Redemption, Purchase and Cancellation

(a) Partial and Final Redemption

Unless previously redeemed, or purchased and cancelled as provided below, or unless such Bond is stated in the relevant Final Terms or Drawdown Prospectus as having no fixed Maturity Date, each Bond will be redeemed at its Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*)), on the date or dates (or, in the case of Floating Rate Bonds, on the Interest Payment Date(s)) specified in the relevant Final Terms or Drawdown Prospectus plus accrued but unpaid interest and, in the case of Indexed Bonds as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*).

In the case of principal on Class B Bonds only, if on any date, prior to the taking of Enforcement Action, on which such Bond is to be redeemed (in whole or in part) there are insufficient funds available to the Issuer to pay such principal, the Issuer's liability to pay such principal will be treated as not having fallen due and will be deferred until the earliest of: (i) the next following Interest Payment Date on which the Issuer has, in accordance with the cash management provisions of Schedule 11 (*Cash Management*) of the Common Terms Agreement, sufficient funds to pay such deferred amounts (including any interest accrued thereon); (ii) the date on which all Class A Debt has been paid in full; and (iii) an Acceleration of Liabilities (other than a Permitted Hedge Termination, a Permitted Lease Termination or a Permitted EIB Compulsory Prepayment Event) and in the case of a Permitted Share Pledge Acceleration only to the extent that there would be sufficient funds available in accordance with the Payment Priorities to pay such deferred principal (including any accrued interest thereon). Interest will accrue on such deferred principal at the rate otherwise payable on unpaid principal of such Class B Bonds.

(b) Optional Redemption

Subject as provided below, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee and the Bondholders, the Issuer may (prior to the Maturity Date) redeem any Sub-Class of the Bonds in whole or in part (but on a *pro rata* basis only) on any Interest Payment Date at their Redemption Amount, **provided that** (i) Floating Rate Bonds may not be redeemed before the date specified in the relevant Final Terms or Drawdown Prospectus; and (ii) if the term "Issuer Maturity Call" is also specified to be applicable in the relevant Final Terms or Drawdown Prospectus, such redemption date falls prior to the start of the Issuer Maturity Call Period, as follows:

(i) In respect of Fixed Rate Bonds, the Redemption Amount will, unless otherwise specified in the relevant Final Terms or Drawdown Prospectus, be an amount equal to the higher of:

(A) their Principal Amount Outstanding; and

(B) the price determined to be appropriate by a financial adviser in London (selected by the Issuer and approved by the Bond Trustee) as being the price at which the Gross Redemption Yield (as defined below) on such Bonds on the Reference Date (as defined below) is equal to the Gross Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt (as defined below) while that stock is in issue, and thereafter such Government stock (or such other stock as specified in the relevant Final Terms or Drawdown Prospectus for Bonds denominated in currencies other than Sterling) as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Bond Trustee) determine to be appropriate plus the Redemption Margin,

in each case, together with accrued but unpaid interest on the Principal Amount Outstanding.

For the purposes of this Condition 8(b)(i), "**Gross Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published 8 June 1998 with effect from 1 November 1998 and updated on 16 March 2005 (and as further updated, supplemented, amended or replaced from time to time), pages 7 to 11 in respect of Indexed Bonds where "8 month lag" is specified in the relevant Final Terms or Drawdown Prospectus or pages 12 to 13 in respect of Indexed Bonds where "3 month lag" is specified in the relevant Final Terms or Drawdown Prospectus or any replacements therefore; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(b)(i); "**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms or Drawdown Prospectus; and "**Redemption Margin**" means the margin specified in the relevant Final Terms, if any.

(ii) In respect of Floating Rate Bonds, the Redemption Amount will, unless otherwise specified in the relevant Final Terms or Drawdown Prospectus, be the Principal Amount Outstanding plus any premium for early redemption in certain years (as specified in the relevant Final Terms or Drawdown Prospectus) plus any accrued but unpaid interest on the Principal Amount Outstanding.

(iii) In respect of Indexed Bonds, the Redemption Amount will (unless otherwise specified in the relevant Final Terms or Drawdown Prospectus) be the higher of:

(A) the Principal Amount Outstanding; and

(B) the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by a financial adviser in London (selected by the Issuer) as being the price at which the Gross Real Redemption Yield (as defined below) on the Bonds on the Reference Date (as defined below) is equal to:

(1) (in the case of RPI being the applicable Index or Index Figure) the sum of:

(a) the Gross Real Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such Government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market, (selected by the Issuer), determine to be appropriate; and

(b) the Redemption Margin,

in each case, plus accrued but unpaid interest (as adjusted in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*)) on the Principal Amount Outstanding; and

(2) (in the case of CPI or CPIH being the applicable Index or Index Figure) the sum of:

(a) if a Reference Gilt is specified in the applicable Final Terms, the Gross Redemption Yield at 3.00 p.m. (London time) on the Reference Date on the Reference Gilt (as defined below) while that stock is in issue, and thereafter such United Kingdom Government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer), determine to be appropriate; and

(b) the Redemption Margin.

For the purposes of this Condition 8(b)(iii):

(A) "**Gross Real Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published 8 June 1998 with effect from 1 November 1998 and updated on 16 March 2006, (and as further updated, supplemented, amended or replaced from time to time) (provided that, for the purpose of calculating the Gross Redemption Yield on Index Linked Bonds in respect of which CPI or CPIH is specified as the applicable Index, any references to RPI (or the UK Retail Price Index) therein shall be read and construed as references to CPI or CPIH (as applicable) if CPI or CPIH is not covered by such publication), pages 7 to 11 in respect of Indexed Bonds where "8 months lag" is specified in the relevant Final Terms or Drawdown Prospectus or pages 12 to 13 in respect of Indexed Bonds where "3 months lag" is specified in the relevant Final Terms or Drawdown Prospectus or any replacements therefore; and

(B) "**Redemption Margin**" means the margin specified in the Final Terms, if any;

(C) "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under Condition 8(b)(iii); and

(D) "**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms or Drawdown Prospectus.

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Finance Documents) to the Bond Trustee that it will have the funds, not subject to any interest (other than under the Security) of any other person, required to redeem the Bonds as aforesaid.

(c) Redemption at the Option of the Issuer (Issuer Maturity Call)

If the term "Issuer Maturity Call" is specified in the applicable Final Terms or Drawdown Prospectus, upon giving not more than 30 nor less than 15 days' notice (or such other notice period as may be specified in the applicable Final Terms) to the Bond Trustee, the Security Trustee and the Bondholders, the Issuer may (prior to the Maturity Date), redeem any Sub-Class of the Bonds in whole or in part (but on a pro rata basis only) then outstanding at any time during the Issuer Maturity Call Period at the Final Redemption Amount specified in the applicable Final Terms or Drawdown Prospectus, together (if applicable) with interest accrued (but unpaid) to (but excluding) the date fixed for redemption.

For the purposes of these Conditions, "**Issuer Maturity Call Period**" has the meaning given to it in the applicable Final Terms or Drawdown Prospectus.

(d) Redemption for Index Event, Taxation or Other Reasons

Redemption for Index Events: Upon the occurrence of any Index Event (as defined below), the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee and the holders of the Indexed Bonds in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Indexed Bonds of all Sub-Classes referable to the Index the subject of the Index Event which are linked to the relevant index on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7(b) (*Application of Index Ratio (RPI)*)) plus accrued but unpaid interest. No single Sub-Class of Indexed Bonds may be redeemed in these circumstances unless all the other Classes and Sub-Classes of Indexed Bonds referable to the Index the subject of the Index Event are also redeemed at the same time and the Issuer has discharged all amounts due and payable to any Financial Guarantor that has issued a Financial Guarantee in respect of such Class or Sub-Class of Indexed Bonds. Before giving any such notice, the Issuer shall provide to the Bond Trustee, the Security Trustee, the Majority Creditors and the relevant Financial Guarantor(s) a certificate signed by an Authorised Signatory: (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption and payment to the relevant Financial Guarantor(s).

"**Index Event**" means:

(i) if RPI is specified as the Index or Index Figure in the applicable Final Terms,

(A) the Index Figure for three consecutive months fails to be determined on the basis of an Index Figure previously published as provided in Condition 7(c)(ii) (*Delay in publication of Index*) and the Bond Trustee has been notified by the Principal Paying Agent that publication of the Index has ceased; or

(B) notice is published by His Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing.

(ii) if CPI or CPIH is specified as the Index or Index Figure in the applicable Final Terms, the Index Figure fails to be determined for three consecutive months other than on the basis provided in Condition 7(h)(ii) (*Changes in Circumstances Affecting the Index: delay in publication of the Index*) and the Bond Trustee has been notified by the Calculation Agent that publication of the Index has ceased.

Redemption for Taxation Reasons: In addition, if at any time the Issuer satisfies the Bond Trustee that the Issuer would, on the next Interest Payment Date, become obliged to deduct or withhold from any payment of interest or principal in respect of the Bonds (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or, if the Issuer is substituted for a company incorporated under or tax resident in another jurisdiction as permitted in accordance with these Conditions, such other jurisdiction or, in each case, any political subdivision thereof, or any other authority thereof, then the Issuer may, in order to avoid the relevant deductions or withholding, use its reasonable endeavours to arrange the substitution of a company incorporated under another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds and as lender under the Issuer/YWS Loan Agreements and as obligor under the Finance Documents upon satisfying the conditions for substitution of the Issuer as set out in the STID (and referred to in Condition 15 (Meetings of Bondholders, Modification, Waiver and Substitution)). If the Issuer is unable to arrange a substitution as described above having used reasonable endeavours to do so and, as a result, the relevant deduction or withholding is continuing then the Issuer may (but will not be obliged to), upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee and the Bondholders in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Bonds on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Bonds, in accordance with Condition 7(b) (*Application of the Index Ratio (RPI)*)). Before giving any such notice of redemption, the Issuer shall provide to the Bond Trustee, and the Security Trustee and the relevant Financial Guarantors a certificate signed by an Authorised Signatory: (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to discharge all its liabilities in respect of the Bonds and any amounts under the Security Agreement to be paid in priority to, or pari passu with, the Bonds under the Payment Priorities.

(e) Redemption on Prepayment of Issuer/YWS Loan Agreements

This Condition 8(e) is applicable to Bonds issued by the Issuer only.

If YWS gives notice to the Issuer under an Issuer/YWS Loan Agreement that it intends to prepay all or part of any advance made under such Issuer/YWS Loan Agreement and such advance was funded by the Issuer from the proceeds of the issue of a Sub-Class of Bonds, the Issuer shall, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Security Trustee, the relevant Financial Guarantors (if any) and the Bondholders in accordance with Condition 17 (*Notices*), (where such advance is being prepaid in whole)

redeem all of the Bonds of that Sub-Class or (where part only of such advance is being prepaid) the proportion of the relevant Sub-Class of Bonds which the proposed prepayment amount bears to the amount of the relevant advance. In the case of a voluntary prepayment, the relevant Bonds will be redeemed at their Redemption Amount determined in accordance with Condition 8(b) (*Optional Redemption*) except that, in the case of Fixed Rate Bonds and Indexed Bonds, for the purposes of this Condition 8(e), "**Reference Date**" means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 8(e), plus accrued but unpaid interest and, in the case of any other prepayment, the relevant Bonds will be redeemed at their Principal Amount Outstanding plus accrued but unpaid interest.

(f) Purchase of Bonds

The Issuer may, **provided that** no Event of Default has occurred and is continuing, purchase Bonds (**provided that** all unmatured Receipts and Coupons and unexchanged Talons (if any) appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

If not all the Bonds which are in registered form are to be purchased, upon surrender of the existing Definitive Registered Bond, the Registrar shall forthwith upon the written request of the Bondholder concerned issue a new Definitive Registered Bond in respect of the Bonds which are not to be purchased and despatch such Definitive Registered Bond to the Bondholder (at the risk of the Bondholder and to such address as the Bondholder may specify in such request).

While the Bonds are represented by a Global Bond or Registered Global Bond (as defined below), the relevant Global Bond or Registered Global Bond will be endorsed to reflect the Principal Amount Outstanding of Bonds to be so redeemed or purchased.

(g) Redemption by Instalments

Unless previously redeemed, purchased and cancelled as provided in this Condition 8, each Bond which provides for Instalment Dates (as specified in the relevant Final Terms or Drawdown Prospectus) and Instalment Amounts (as specified in the relevant Final Terms or Drawdown Prospectus) will be partially redeemed on each Instalment Date at the Instalment Amount.

(h) Cancellation

In respect of all Bonds purchased by or on behalf of the Issuer, the Bearer Bonds or the Registered Bonds shall be surrendered to or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will, together with all Bonds redeemed by the Issuer, be cancelled forthwith (together with, in the case of Bearer Bonds, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

(i) Instalments

Instalment Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Redemption Amount will be determined pursuant to Condition 8(b) (*Optional Redemption*) above.

9 Payments

(a) Bearer Bonds

Payments to the Bondholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Bonds will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and **provided that** the Receipt is presented for payment together with its relative Bond), Bonds (in the case of all other payments of principal and, in the case of interest, as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States of America by transfer to an account denominated in the currency in which such payment is due with, or (in the case of Bonds in definitive form only) a cheque payable in that currency drawn on, a bank in: (i) the principal financial centre of that currency **provided that** such currency is not euro; or (ii) the principal financial centre of any Participating Member State if that currency is euro.

(b) Registered Bonds

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation and surrender of the relevant Registered Bond at the specified office of the Registrar and in the manner provided in Condition 9(a) (*Bearer Bonds*).

Payments of instalments in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation of the relevant Registered Bond at the specified office of the Registrar in the manner provided in Condition 9(a) (*Bearer Bonds*) above and annotation of such payment on the Register and the relevant Bond Certificate.

Interest (or, as the case may be, Interest Amounts) on Registered Bonds payable on any Interest Payment Date will be paid to the holder (or the first named of joint holders) on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payment of interest or Interest Amounts on each Registered Bond will be made in the currency in which such payment is due by cheque drawn on a bank in: (a) the principal financial centre of the country of the currency concerned, **provided that** such currency is not euro; or (b) the principal financial centre of any Participating Member State if that currency is euro and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the Bondholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in: (a) the principal financial centre of the country of that currency **provided that** such currency is not euro; or (b) the principal financial centre of any Participating Member State if that currency is euro.

A record of each payment so made will be endorsed on the schedule to the Global Bond or the Registered Global Bond by or on behalf of the Principal Paying Agent or the Registrar, as the case may be, which endorsement shall be *prima facie* evidence that such payment has been made.

(c) Payments in the United States of America

Notwithstanding the foregoing, if any Bearer Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bonds in the manner provided above when due;

(ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and

(iii) such payment is then permitted by the law of the United States of America, without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(d) Payments subject to fiscal laws; payments on Global Bonds and Registered Bonds

Save as provided in Condition 10 (*Taxation*), payments will be subject in all cases to any other applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer, the Guarantors or their respective Agents agree to be subject and neither the Issuer nor the Guarantors will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

The holder of a Global Bond or Registered Global Bond shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Bond or Registered Global Bond (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Bond or Registered Global Bond in respect of each amount paid.

(e) Appointment of the Agents

The Paying Agents, the Agent Bank, the Transfer Agents and the Registrar (the "**Agents**") appointed by the Issuer (and their respective specified offices) are listed in the Agency Agreement. Any Calculation Agent will be listed in the relevant Final Terms or Drawdown Prospectus and will be appointed pursuant to a Calculation Agency Agreement. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right, with the prior written consent of the Bond Trustee at any time to vary or terminate the appointment of any Agent, and to appoint additional or other Agents, **provided that** the Issuer will at all times maintain: (i) a Principal Paying Agent (in the case of Bearer Bonds); (ii) a Registrar (in the case of Registered Bonds); (iii) an Agent Bank or Calculation Agent (as specified in the relevant Final Terms or Drawdown Prospectus) (in the case of Floating Rate Bonds or Indexed Bonds); and (iv) if and for so long as the Bonds are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place, a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its specified office in the place required by such listing authority, stock exchange and/or quotation system. Notice of any such variation, termination or appointment will be given in accordance with Condition 17 (*Notices*).

(f) *Unmatured Coupons and Receipts and Unexchanged Talons*

(i) Subject to the provisions of the relevant Final Terms or Drawdown Prospectus, upon the due date for redemption of any Bond which is a Bearer Bond (other than a Fixed Rate Bond, unless it has all unmatured Coupons attached), unmatured Coupons and Receipts relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them.

(ii) Upon the date for redemption of any Bond, any unmatured Talon relating to such Bond (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iii) Upon the due date for redemption of any Bond which is redeemable in instalments, all Receipts relating to such Bond having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(iv) Where any Bond, which is a Bearer Bond and is a Fixed Rate Bond, is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, a sum equal to the aggregate amount of the missing unmatured Coupons will be deducted from the amount of principal due for payment and, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Bond is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Bond and Coupon.

(g) *Non-Business Days*

Subject as provided in the relevant Final Terms or Drawdown Prospectus, if any date for payment in respect of any Bond, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in London and in the relevant place of presentation and in the other cities referred to in the definition of Business Days and specified as "Relevant Financial Centres**"** in the relevant Final Terms and (in the case of a payment in a currency other than euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency and, in relation to any sum payable in euro, a day on which T2 is open for the settlement of payments in euro.

(h) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Bond, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 13 (*Prescription*)).

10 Taxation

All payments in respect of the Bonds, Receipts or Coupons will be made (whether by the Issuer, the Guarantors, any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or, in respect of Wrapped Bonds, the Financial Guarantors) free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Issuer, the Guarantors, any Paying Agent or the Registrar or, where applicable, the Bond Trustee, the Security Trustee or the Financial Guarantor is required by applicable law to make any payment in respect of the Bonds, Receipts or Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer, the Guarantors, such Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or the Financial Guarantor, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, the Guarantors, any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or the Financial Guarantor will be obliged to make any additional payments to the Bondholders, Receiptholders or the Couponholders in respect of such withholding or deduction. The Issuer, the Guarantors, any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or the Financial Guarantor may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

If the Issuer is obliged to make any such deduction or withholding, the amount so deducted or withheld is not guaranteed by the Financial Guarantor.

11 Events of Default

The Events of Default (as defined in the Master Definitions Agreement) relating to the Bonds are set out in Schedule 6 (*Events of Default*) of the Common Terms Agreement.

Following the notification of an Event of Default, the STID provides for a Standstill Period (as defined in the Master Definitions Agreement) to commence and for restrictions to apply to all Secured Creditors of the Obligors. The Common Terms Agreement also contains various Trigger Events that will, if they occur, (among other things) permit the Majority Creditors (**provided that** the relevant Quorum Requirement has been met) to commission an Independent Review, require YWS to discuss its plans for appropriate remedial action and prevent the YW Financing Group from making further Restricted Payments until the relevant Trigger Events have been remedied.

(a) Events of Default

If any Event of Default occurs and is continuing, subject always to the terms of the STID, the Bond Trustee may at any time (in accordance with the provisions of the Bond Trust Deed and the STID), having certified in writing that, in its opinion, the occurrence of such event is materially prejudicial to the interests of the Bondholders and shall upon the Bond Trustee being so directed or requested: (i) by an Extraordinary Resolution (as defined in the Bond Trust Deed) of holders of the relevant Sub-Classes of Class A Bonds or, if there are no Class A Bonds outstanding, the Class B Bonds; or (ii) in writing by holders of at least one quarter in outstanding nominal amount of the relevant Sub-Class of Class A Bonds, or if there are no Class A Bonds outstanding, the Class B Bonds and subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Issuer and the Security Trustee that the Bonds of the relevant Sub-Class are, and they shall immediately become, due and repayable, at their respective Redemption Amounts determined in accordance with Condition 8(b) (*Optional Redemption*) (except that, in the case of Fixed Rate Bonds and Indexed Bonds for the purposes of this Condition 11(a), the "**Reference Date**" means the date

two Business Days prior to the despatch of the notice of redemption given under this Condition 11(a)) or as specified in the applicable Final Terms or Drawdown Prospectus.

(b) Confirmation of no Event of Default

The Issuer, pursuant to the terms of the Common Terms Agreement, shall provide written confirmation to the Bond Trustee, on a semi-annual basis, that no Event of Default has occurred.

(c) Enforcement of Security

If the Bond Trustee gives written notice to the Issuer and the Security Trustee that an Event of Default has occurred under the Bonds of any Sub-Class, a Standstill Period shall commence. The Security Trustee may only enforce the Security acting in accordance with the STID and, subject to certain limitations on enforcement during a Standstill Period, on the instructions of the Majority Creditors (**provided that** the relevant Quorum Requirement has been met) or pursuant to a valid Emergency Instruction Notice, in each case, pursuant to the STID.

(d) Automatic Acceleration

In the event of the acceleration of the Secured Liabilities (other than a Permitted Share Pledge Acceleration, a Permitted Hedge Termination, a Permitted Lease Termination or a Permitted EIB Compulsory Prepayment Event as set out in the STID), the Bonds of each Series shall automatically become due and repayable at their respective Redemption Amounts determined in accordance with Condition 8(b) (*Optional Redemption*) (except that, in the case of Fixed Rate Bonds and Indexed Bonds for the purposes of this Condition 11(d), "**Reference Date**" means the date two Business Days prior to the date of such acceleration) or as specified in the applicable Final Terms or Drawdown Prospectus plus, in each case, accrued and unpaid interest thereon.

12 Enforcement Against Issuer

No Bondholder is entitled to take any action against the Issuer or, in the case of the holders of Wrapped Bonds, against the Financial Guarantor or against any assets of the Issuer or any Financial Guarantor to enforce its rights in respect of the Bonds or to enforce any of the Security or to enforce any Financial Guarantee unless the Bond Trustee or the Security Trustee (as applicable), having become bound so to proceed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing. The Security Trustee will act (subject to Condition 11(c) (*Enforcement of Security*)) on the instructions of the Majority Creditors (**provided that** the relevant Quorum Requirement has been met) or pursuant to a valid Emergency Instruction Notice, in each case, pursuant to the STID and neither the Bond Trustee nor the Security Trustee shall be bound to take any such action unless it is indemnified and/or secured and/or prefunded to its satisfaction against all fees, costs, expenses, liabilities, claims and demands to which it may thereby become liable or which it may incur by so doing.

Neither the Bond Trustee nor the Bondholders may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, reorganisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver and manager pursuant to the terms of the Security Agreement and subject to the STID) or other proceeding under any similar law for so long as any Bonds are Outstanding or for two years and a day after the latest Maturity Date on which any Bond of any Series is due to mature.

13 Prescription

Claims against the Issuer for payment in respect of the Bonds, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date) in respect thereof.

14 Replacement of Bonds, Coupons, Receipts and Talons

If any Bearer Bond, Registered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the London Stock Exchange (in the case of listed Bonds), if the relevant Bonds have been admitted to listing, trading and/or quotation on such a stock exchange), at the specified office of the Principal Paying Agent or, as the case may be, the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Meetings of Bondholders, Modification, Waiver and Substitution

(a) Decisions of Majority Creditors, STID Matters and STID Direct Voting Matters

The STID contains provisions dealing with the manner in which STID Matters affecting the interests of the Secured Creditors (including the Bond Trustee and the Bondholders) will be dealt with. Bondholders will (subject to various Reserved Matters and Entrenched Rights) be bound by the decisions of the Majority Creditors (**provided that** the relevant Quorum Requirement has been met) (and additionally in a Default Situation, decisions made pursuant to the Emergency Instruction Procedure (as set out in Clause 9.14 (*Emergency Instruction Procedure*) of the STID)).

The STID provides that in respect of STID Direct Voting Matters which do not relate to the Entrenched Rights or Reserved Matters of the Bondholders (as set out in the STID) and **provided that** no Default Situation is continuing (other than in respect of a STID Matter in respect of which the relevant proposer has elected to utilise the Emergency Instruction Procedure), the holders of Class A Unwrapped Bonds (or, following the repayment in full of all Qualifying Class A Debt, the holders of Class B Unwrapped Bonds) and following an FG Event of Default in relation to a Financial Guarantor, the holders of the relevant Class A Wrapped Bonds (or, following the repayment in full of all Qualifying Class A Debt, the holders of the relevant Class B Wrapped Bonds) (the "**Qualifying Bondholders**") shall each be entitled to instruct the Bond Trustee through the clearing systems in accordance with the terms of the Bond Trust Deed to vote on its behalf in relation to such STID Direct Voting Matters as the DIG Representative of such Bondholder.

As more fully set out in the STID and the Bond Trust Deed, voting in connection with such STID Direct Voting Matters shall be determined on a pound-for-pound basis by reference to the Outstanding Principal Amount owed to each of the Qualifying Class A Debt Providers (or, following the repayment in full of all Qualifying Class A Debt, the Qualifying Class B Debt Providers) voting in respect of such STID Direct Voting Matters, so that all votes in favour of the proposal and all votes against the proposal from such Qualifying Debt Providers are considered on an aggregate basis, irrespective of whether a majority of such holders of Unwrapped Bonds or, as the case may be, Wrapped Bonds (following an FG Event of Default in respect of the relevant Financial Guarantor) are in favour or against the proposal.

For the purpose of voting in connection with a STID Direct Voting Matter, upon receipt thereof in accordance with the provisions of the STID, the Bond Trustee shall promptly forward a copy of such notice to the Qualifying Bondholders in accordance with Condition 17 (*Notices*) requesting them to instruct the Bond Trustee how to vote. After obtaining the instruction of the Qualifying Bondholders, the Bond Trustee will vote in relation to the relevant STID Direct Voting Matter in accordance with such instructions. The Bond Trustee shall not be entitled to convene a meeting of any one or more Sub-Class of Bondholders to consider a STID Matter unless a Default Situation is subsisting (subject to any Emergency Instruction Notice) or the STID Matter relates to an Entrenched Right or a Reserved Matter of the relevant Sub-Class or Class of Bondholders.

If a STID Matter relates to an Entrenched Right or a Reserved Matter of a Sub-Class or Class of Bondholders (whether before or whilst a Default Situation is subsisting), such STID Matter shall not be a STID Direct Voting Matter and the Bond Trustee shall be entitled to convene a meeting of any one or more Sub-Classes of Bondholders to consider such STID Matter and the Bond Trustee shall (subject to any Emergency Instruction Notice) vote in accordance with a direction by those holders of such outstanding Bonds by means of an Extraordinary Resolution of the relevant Sub-Class of Bonds. In any case, the Bond Trustee shall not be obliged to vote unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

If a Default Situation has occurred and is subsisting, the Bond Trustee shall (subject to any Emergency Instruction Notice) be entitled to convene a meeting of any one or more Sub-Classes of Unwrapped Bondholders (or, following an FG Event of Default in respect of a Financial Guarantor, the relevant Sub-Class or Sub-Classes of Wrapped Bonds) to consider any STID Matter and the Bond Trustee shall vote in accordance with a direction by those holders of such outstanding Unwrapped Bonds (or, following the occurrence of an FG Event of Default in respect of a Financial Guarantor, the relevant Wrapped Bonds): (i) by means of an Extraordinary Resolution of the relevant Sub-Class of Bonds; or (ii) (in respect of a DIG Proposal to terminate a Standstill) as requested in writing by the holders of at least one quarter of the Principal Amount Outstanding of the relevant Sub-Class of Bonds then outstanding. In any case, the Bond Trustee shall not be obliged to vote unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

Subject to Entrenched Rights and Reserved Matters, whilst a Default Situation is subsisting, certain decisions and instructions may be required in a timeframe which does not allow the Bond Trustee to convene Bondholder meetings. To cater for such circumstances, the STID provides for an emergency instruction procedure (the "**Emergency Instruction Procedure**"). In respect of any STID Matter during a Default Situation, the proposer must elect whether or not it wishes to utilise the Emergency Instruction Procedure in the event that the Bond Trustee, the Participating YWSF Bond Trustee or, as the case may be, the Non-Participating YWSF Bond Trustee convenes a Bondholder, Participating YWSF Bondholder or, as the case may be, Non-Participating YWSF Bondholder meeting and any such STID Matter will constitute a STID Direct Voting Matter for the purposes of Bondholder, Participating YWSF Bondholder or, as the case may, be Non-Participating YWSF Bondholder voting. Subject to Entrenched Rights and Reserved Matters, the Security Trustee will be required to act upon instructions contained in an emergency notice (an "**Emergency Instruction Notice**"). The Emergency Instruction Notice must specify the emergency action which the Security Trustee is being instructed to take and must certify that, unless such action is taken within the time frame specified in the Emergency Instruction Notice, the interests of the EIN Signatories will be materially prejudiced. An Emergency Instruction Notice must be signed by DIG Representatives (the "**EIN Signatories**") representing $66^2/_3$ per cent. or more of the aggregate

Outstanding Principal Amount of the Qualifying Class A Debt or, following the repayment in full of all Qualifying Class A Debt, Qualifying Class B Debt (after excluding from the proportion of Qualifying Class A Debt or, as the case may be, Qualifying Class B Debt, the Outstanding Principal Amount of: (a) the Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in relation to the relevant Financial Guarantor); (b) the Unwrapped Bonds; (c) the YWSF Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in relation to the YWSF Financial Guarantor); (d) the YWSF Unwrapped Bonds; and (e) the Non-Participating YWSF Bonds which constitute Qualifying Class A Debt, in each case, in respect of which the relevant Bondholder, Participating YWSF Bondholder or, as the case may be, Non-Participating YWSF Bondholder has not voted through the clearing systems during the initial 15 Business Day Decision Period). The Emergency Instruction Notice must specify the emergency action which the Security Trustee is being instructed to take on or after the expiry of the initial 15 Business Day Decision Period and must certify that in the EIN Signatories' reasonable opinion, unless such action is taken within the timeframe specified in the Emergency Instruction Notice, the interests of the EIN Signatories would be materially prejudiced. As described above, the holders of Unwrapped Bonds and, following the occurrence of an FG Event of Default which is continuing in relation to a Financial Guarantor, the holders of the relevant Wrapped Bonds shall each be entitled to instruct the Bond Trustee through the clearing systems in accordance with the terms of the Bond Trust Deed to vote on its behalf as the DIG Representative of such Bondholder in relation to such Emergency Instruction Notice as a STID Direct Voting Matter.

(b) Meetings of Bondholders

The Bond Trust Deed contains provisions for convening meetings of the Bondholders (including by video or audio conference call) to consider any matter affecting their interests, including the modification of the Bonds, the Receipts, the Coupons or any of the provisions of the Bond Trust Deed, (in the case of Class A Wrapped Bonds and Class B Wrapped Bonds) the Financial Guarantees and any other Finance Document to which the Bond Trustee is a party (subject to the terms of the STID). Any modification may (except in relation to any Entrenched Right or Reserved Matter of the Bond Trustee (as set out in the STID) subject to the terms of the STID including, in the case of any of the Class A Wrapped Bonds or Class B Wrapped Bonds, to Entrenched Rights or Reserved Matters of any Financial Guarantor (as set out in the STID) and subject to the provisions concerning ratification and/or meetings of particular combinations of Sub-Classes of Bonds as set out in Condition 16(b) (*Exercise of rights by Bond Trustee*) and the Bond Trust Deed), be made if sanctioned by a resolution passed at a meeting of such Bondholders duly convened and held in accordance with the Bond Trust Deed by a majority of not less than three-quarters of the votes cast (an "**Extraordinary Resolution**") at such meeting. Such a meeting may be convened by the Bond Trustee or the Issuer, and shall be convened by the Issuer upon the request in writing of the relevant Bondholders holding not less than one-tenth in nominal amount of the relevant Bonds for the time being Outstanding.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. in nominal amount of the relevant Bonds for the time being Outstanding or, at any adjourned meeting, one or more persons being or representing Bondholders, whatever the nominal amount of the relevant Bonds held or represented, provided however, that certain matters as set out in paragraph 5 of the Fourth Schedule to the Bond Trust Deed (the "**Basic Terms Modifications**") in respect of the holders of any particular Sub-Class of Bonds may be sanctioned only by an Extraordinary Resolution passed at a meeting of Bondholders of the relevant Sub-Class of Bonds at which one or more persons holding or representing not less than three-quarters or, at any adjourned

meeting, one-quarter in nominal amount of the Outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the relevant Bondholders, Receiptholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of all Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders under the Bond Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(c) Modification, consent and waiver

As more fully set out in the Bond Trust Deed (and subject to the conditions and qualifications therein and to the terms of the STID), the Bond Trustee may and shall, without the consent of the Bondholders of any Sub-Class, concur with the Issuer or any other relevant parties in making:

(i) any modification of these Conditions, the Bond Trust Deed, any Financial Guarantee or any Finance Document if in the opinion of the Bond Trustee such modification is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of law; and

(ii) any modification and granting any consent under or waiver or authorisation of any breach or proposed breach (or determination that any Event of Default or Potential Event of Default shall not be treated as such) of these Conditions, the Bond Trust Deed, any Financial Guarantee or any Finance Document which is, in the opinion of the Bond Trustee, not materially prejudicial to the interests of the Bondholders of that Sub-Class;

Any such modification, consent, waiver or authorisation shall be binding on the Bondholders of that Sub-Class, and the holders of all relevant Receipts and Coupons and, if the Bond Trustee so requires, notice thereof shall be given by the Issuer to the Bondholders of that Sub-Class as soon as practicable thereafter.

The Bond Trustee shall be entitled to assume that any such modification, consent, waiver or authorisation is not materially prejudicial to the Bondholders if the Rating Agencies confirm that there will not be any adverse effect thereof on the original issue ratings of the Bonds.

(d) Substitution of the Issuer

As more fully set forth in the STID (and subject to the conditions and qualifications therein), the Bond Trustee may also agree with the Issuer, without reference to the Bondholders, to the substitution of another corporation in place of the Issuer as principal debtor in respect of the Bond Trust Deed and the Bonds of all Series and subject to the Wrapped Bonds continuing to be subject to a Financial Guarantee of the relevant Financial Guarantor.

16 Bond Trustee Protections

(a) Trustee considerations

Subject to the terms of the STID and Condition 16(b) (*Exercise of rights by Bond Trustee*), in connection with the exercise, under these Conditions, the Bond Trust Deed, any Financial Guarantee or any Finance Document, of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Bond Trustee shall have regard to the interests of the holders of the Bonds **provided that**, if the Bond Trustee considers, in its sole opinion, that there is a conflict of interest between the interests of the holders of the

Class A Bonds and the interests of the holders of the Class B Bonds, the Bond Trustee shall give priority to the interests of the holders of the Class A Bonds whose interests shall prevail. Where, in the sole opinion of the Bond Trustee, there is a conflict between holders of two or more Sub-Classes of Bonds of the same Class, it shall consider the interests of the holders of the Sub-Class of Bonds with the shortest dated maturity and, in either case, will not have regard to the consequences of such exercise for the holders of other Sub-Classes of Bonds or for individual Bondholders, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Bond Trustee shall not be entitled to require from the Issuer or any Financial Guarantor, nor shall any Bondholders be entitled to claim from the Issuer, any Financial Guarantor or the Bond Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Bondholders of any such exercise.

(b) Exercise of rights by Bond Trustee

(1) Except as otherwise provided in these Conditions and the Bond Trust Deed, when exercising any rights, powers, trusts, authorities and discretions relating to or contained in these Conditions or the Bond Trust Deed (other than in determining or in respect of any Entrenched Right or Reserved Matter relating to the Bonds or any other Basic Terms Modification), which affects or relates to any Class A Wrapped Bonds and/or Class B Wrapped Bonds, the Bond Trustee shall only act on the instructions of the relevant Financial Guarantor(s) (provided no FG Event of Default has occurred and is continuing) in accordance with the provisions of the Bond Trust Deed and the Bond Trustee shall not be required to have regard to the interests of the Bondholders in relation to the exercise of such rights, powers, trusts, authorities and discretions and shall have no liability to any Bondholders as a consequence of so acting. As a consequence of being required to act only on the instructions of the relevant Financial Guarantor(s) in the circumstances referred to in the previous sentence, the Bond Trustee may not, notwithstanding the provisions of these Conditions, be entitled to act on behalf of the holders of any Sub-Classes of Wrapped Bonds.

(2) Subject as provided in sub-paragraph (1) above or elsewhere in these Conditions and the Bond Trust Deed, the Bond Trustee will exercise its rights under, or in relation to, the Bond Trust Deed, the Conditions or any Financial Guarantee in accordance with the directions of the relevant Bondholders, but the Bond Trustee shall not be bound as against the Bondholders to take any such action unless it has: (i): (a) (in respect of the matters set out in Condition 11 (*Events of Default*) and Condition 15(a) (*Decisions of the Majority Creditors, STID Matters and STID Direct Voting Matters*) only) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the relevant Sub-Classes of Bonds Outstanding; or (b) been so directed by an Extraordinary Resolution; and (ii) been indemnified and/or furnished with security and/or prefunded to its satisfaction.

(c) Decisions under STID binding on all Bondholders

Subject to the provisions of the STID and the Entrenched Rights and Reserved Matters of the Bond Trustee and the Bondholders, decisions of the Majority Creditors (**provided that** the relevant Quorum Requirement has been met) and (in a Default Situation) decisions made pursuant to the Emergency Instruction Procedure will bind the Bond Trustee and the Bondholders in all circumstances.

17 Notices

Notices to holders of Registered Bonds will be posted to them at their respective addresses in the Register and deemed to have been given on the date of posting. Other notices to Bondholders will be valid if published in a leading daily newspaper having general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the London Stock Exchange, on which the Bonds are for the time being listed. Any such notice (other than to holders of Registered Bonds as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Bonds in accordance with this Condition 17.

So long as any Bonds are represented by Global Bonds, notices in respect of those Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or any other relevant clearing system as specified in the relevant Final Terms or Drawdown Prospectus for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in London. Such notices shall be deemed to have been received by the Bondholders on the day of delivery to such clearing systems.

18 Indemnification of the Bond Trustee and Security Trustee

(a) Indemnification of the Bond Trustee

The Bond Trust Deed contains provisions for indemnification of the Bond Trustee, and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against any Issuer, any Financial Guarantor and or any other person unless indemnified and/or secured and/or prefunded to its satisfaction. The Bond Trustee or any of its affiliates (as defined in Condition 7 (*Indexation*)) are entitled to enter into business transactions with the Issuer, any Financial Guarantor, the other Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom.

(b) Indemnification of the Security Trustee

Subject to the Entrenched Rights and Reserved Matters of the Security Trustee, the Security Trustee will only be required to take any action under or in relation to, or to enforce or protect the Security, or any other security interest created by a Finance Document, or a document referred to therein, if instructed to act by the Majority Creditors or Secured Creditors (or their representatives) (as appropriate) or pursuant to a valid Emergency Instruction Notice, in each case pursuant to the terms of the STID and if indemnified and/or secured and/or prefunded to its satisfaction.

(c) Directions, Duties and Liabilities

Neither the Security Trustee nor the Bond Trustee, in the absence of its own wilful misconduct, gross negligence or fraud, and in all cases when acting as directed by or subject to the agreement of the Majority Creditors or Secured Creditors (or their representatives) (as appropriate) or pursuant to a valid Emergency Instruction Notice pursuant to the terms of the STID, shall in any way be responsible for any loss, costs, damages or expenses or other liability, which may result from the exercise or non-exercise of any consent, waiver, power, trust, authority or discretion vested in the Security Trustee or the Bond Trustee pursuant to the STID, any Finance Document or any Ancillary Document.

19 Miscellaneous

(a) Governing Law

The Bond Trust Deed, STID, the Security Agreement, the Bonds, the Coupons, the Receipts, the Talons (if any), the relevant Financial Guarantee (if any) and the other Finance Documents are, and any non-contractual obligations arising out of or in connection with such documents shall be governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of England are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the Bonds, the Coupons, the Receipts, the Talons, the relevant Financial Guarantee (if any) and the Finance Documents and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Coupons, the Receipts, the Talons (if any) the relevant Financial Guarantee (if any) and/ or the Finance Document may be brought in such courts. The Issuer has in each of the Finance Documents irrevocably submitted to the jurisdiction of such courts.

(c) Third Party Rights

No person shall have any right to enforce any term or condition of the Bonds or the Bond Trust Deed under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any rights or remedy which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

FORMS OF THE BONDS

Form and Exchange – Bearer Bonds

Each Sub-Class of Bonds initially issued in bearer form will be issued either as a temporary global bond (the "**Temporary Global Bond**"), without Coupons, Receipts or Talons attached, or a permanent global bond (the "**Permanent Global Bond**"), without interest Coupons, Receipts or Talons attached, in each case as specified in the relevant Final Terms or Drawdown Prospectus. Each Temporary Global Bond or, as the case may be, Permanent Global Bond (each a "**Global Bond**") will be delivered on or prior to the issue date of the relevant Sub-Class of the Bonds to a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system on or about the Issue Date of the relevant Sub-Class.

The relevant Final Terms or Drawdown Prospectus will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**TEFRA D Rules**") are applicable in relation to such Bonds, or whether such Bonds are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstances in which the Bonds will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable.

Temporary Global Bond exchangeable for Permanent Global Bond

If the relevant Final Terms or Drawdown Prospectus specifies the form of Bonds as being represented by "Temporary Global Bond exchangeable for a Permanent Global Bond", then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for interests in a Permanent Global Bond, without Coupons, Receipts or Talons attached, not earlier than 40 days after the issue date of the relevant Sub-Class of the Bonds upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, payments of interest in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Bond is to be exchanged for an interest in a Permanent Global Bond, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Bond, duly authenticated, to the bearer of the Temporary Global Bond or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Bond in accordance with its terms against:

- presentation and (in the case of final exchange) surrender of the Temporary Global Bond at the specified office of the Paying Agent; and
- receipt by the Paying Agent of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Bond shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Bond exceed the aggregate initial principal amount of the Temporary Global Bond and any Temporary Global Bond representing a

fungible Sub-Class of Bonds with the Sub-Class of Bonds represented by the first Temporary Global Bond.

The Permanent Global Bond will be exchangeable in whole, but not in part, at the request of the bearer of the Permanent Global Bond for Bonds in definitive form ("**Definitive Bearer Bonds**"):

- on the expiry of such period of notice as may be specified in the relevant Final Terms or Drawdown Prospectus;
- at any time, if so specified in the relevant Final Terms or Drawdown Prospectus;
- if the relevant Final Terms or Drawdown Prospectus specifies "in the limited circumstances described in the Permanent Global Bond", then if: (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (b) any of the circumstances described in Condition 11(a) "*Events of Default*" occurs; or
- the Issuer certifies to the Bond Trustee that it has or will, on the next payment date for interest or principal, become subject to adverse tax consequences which would not be suffered if the Bonds are not represented by a Permanent Global Bond.

If a Permanent Global Bond is exchangeable for Definitive Bearer Bonds at the option of the Bondholders or Issuer other than in the limited circumstances described in the Permanent Global Bond, the Bonds shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Whenever the Permanent Global Bond is to be exchanged for Definitive Bearer Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bearer Bonds, duly authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Final Terms or Drawdown Prospectus), in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the specified office of the Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

Temporary Global Bond exchangeable for Definitive Bearer Bonds

If the relevant Final Terms or Drawdown Prospectus specifies the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bearer Bonds" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole but not in part, for Definitive Bearer Bonds not earlier than 40 days after the issue date of the relevant Sub-Class of the Bonds.

If the relevant Final Terms or Drawdown Prospectus specifies the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bearer Bonds" and also specifies that the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for Definitive Bearer Bonds not earlier than 40 days after the issue date of the relevant Sub-Class of the Bonds upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Bond is to be exchanged for Definitive Bearer Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bearer Bonds, duly authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Final

Terms or Drawdown Prospectus), in an aggregate principal amount equal to the principal amount of the Temporary Global Bond so exchanged to the bearer of the Temporary Global Bond against the presentation (and in the case of final exchange, surrender) of the Temporary Global Bond at the specified office of the Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the issue of such Bonds.

Permanent Global Bond exchangeable for Definitive Bearer Bonds

If the relevant Final Terms or Drawdown Prospectus specifies the form of Bonds as being "Permanent Global Bond exchangeable for Definitive Bearer Bonds", then the Bonds will initially be in the form of a Permanent Global Bond which will be exchangeable in whole, but not in part, for Definitive Bearer Bonds:

- on the expiry of such period of notice as may be specified in the relevant Final Terms or Drawdown Prospectus;
- at any time, if so specified in the relevant Final Terms or Drawdown Prospectus;
- if the relevant Final Terms or Drawdown Prospectus specifies "in the limited circumstances described in the Permanent Global Bond", then if: (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (b) any of the circumstances described in Condition 11(a) "*Events of Default*" occurs; or
- the Issuer certifies to the Bond Trustee that it has or will, on the next payment date for interest or principal, become subject to adverse tax consequences which would not be suffered if the Bonds are not represented by a Permanent Global Bond.

If a Permanent Global Bond is exchangeable for Definitive Bearer Bonds at the option of the Bondholders or Issuer other than in the limited circumstances described in the Permanent Global Bond, the Bonds shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Whenever the Permanent Global Bond is to be exchanged for Definitive Bearer Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bearer Bonds, duly authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Final Terms or Drawdown Prospectus), in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the specified office of the Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

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

Conditions applicable to the Bonds

The Conditions applicable to any Definitive Bearer Bond will be endorsed on that Bond and will consist of the Conditions set out under "*Terms and Conditions of the Bonds*" above and the provisions of the relevant Final Terms or Drawdown Prospectus which supplement, amend, vary and/or replace those Conditions.

The Conditions applicable to any Global Bond will differ from those Conditions which would apply to the Definitive Bearer Bond to the extent described under "*Provisions Relating to the Bonds while in Global Form*".

Legend concerning United States persons

Global Bonds and Definitive Bearer Bonds having a maturity of more than one year and any Coupons, Receipts and Talons appertaining thereto where the relevant Final Terms specify that the TEFRA D Rules apply will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Bond, Coupon, Receipt or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bond, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Form and Exchange – Registered Global Bonds

The following description is in respect of registered bonds issued under the Programme that are offered outside the United States in accordance with Regulation S of the Securities Act.

Registered Global Bonds

Registered Bonds held in Euroclear and/or Clearstream, Luxembourg and/or any other clearing system will be represented by a Registered Global Bond which will be registered in the name of a nominee for, and deposited with, a depositary for Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system on or about the Issue Date of the relevant Sub-Class. These provisions will not prevent the trading of interest in the Bonds within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Bonds may be withdrawn from the relevant clearing system.

Transfers of the holding of Bonds represented by any Registered Global Bond pursuant to Condition 2(b) "*Transfer of Registered Bonds*" may only be made in part:

(i) if the Bonds represented by the Registered Global Bond are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reasons of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) above, the registered Holder has given the Registrar not less than 30 days' notice at its specified office of the registered Holder's intention to effect such transfer. Where the holding of Bonds represented by a Registered Global Bond is only transferable in its entirety, the Bond issued to the transferee upon transfer of such holding shall be a Registered Global Bond. Where transfers are permitted in part, Bonds issued to transferees shall not be Registered Global Bonds unless the transferee so requests and certifies to the Registrar that it is, or is acting as a nominee for, Clearstream, Luxembourg, Euroclear and/or any other clearing system.

Rights Against Issuer

Under the Bond Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to interests in the Bonds will (subject to the terms of the Bond Trust Deed and the STID) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Bond or Registered Global Bond became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (as the case may be).

Provisions Relating to the Bonds while in Global Form

Clearing System Accountholders

References in the Conditions of the Bonds to "Bondholder" are references to the bearer of the relevant Global Bond or the person shown in the records of the relevant clearing system as the holder of the Registered Global Bond.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, as being entitled to an interest in a Global Bond or a Registered Global Bond (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer or, in the case of Wrapped Bonds, the relevant Financial Guarantor, to such Accountholder and in relation to all other rights arising under the Global Bond or Registered Global Bond. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Bond or Registered Global Bond will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system (as the case may be) from time to time. For so long as the relevant Bonds are represented by a Global Bond or Registered Global Bond, Accountholders shall have no claim directly against the Issuer or, in the case of Wrapped Bonds, the relevant Financial Guarantor in respect of payments due under the Bonds and such obligations of the Issuer and, in the case of Wrapped Bonds, the relevant Financial Guarantor will be discharged by payment to the bearer of the Global Bond or the registered holder of the Registered Global Bond, as the case may be.

Amendment to Conditions

Global Bonds will contain provisions that apply to the Bonds which they represent, some of which modify the effect of the Conditions of the Bonds as set out in this Prospectus. The following is a summary of certain of those provisions:

- *Meeting*: The holder of a Global Bond or Registered Global Bond shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, the holder of a Global Bond or Registered Global Bond shall be treated as having one vote in respect of each minimum denomination of Bonds for which such Global Bond or Registered Global Bond may be exchanged.

- *Cancellation*: Cancellation of any Bond represented by a Global Bond or Registered Global Bond that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Bond or Registered Global Bond.

- *Notices*: So long as any Bonds are represented by a Global Bond or Registered Global Bond and such Global Bond or Registered Global Bond is held on behalf of Euroclear, Clearstream, Luxembourg or any other relevant clearing system, notices to the Bondholders may be given, subject always to listing requirements, by delivery of the relevant notice to the Euroclear,

Clearstream, Luxembourg or any other relevant clearing system for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions.

- *Payment*: For the purpose of any payments made in respect of a Global Bond, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 9(g) "*Non-Business Days*".

All payments in respect of any Bond represented by a Registered Global Bond will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS- The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended) (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II ; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS– The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[**MiFID II PRODUCT GOVERNANCE**– Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR PRODUCT GOVERNANCE**– Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the Bonds FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or

refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION– In connection with Section 309B 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, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the 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).][2]

Final Terms dated [●]

YORKSHIRE WATER FINANCE PLC

Legal Entity Identifier (LEI): 213800O8BDOGHJMTCP32

Issue of [Sub-Class [●][●]] [Aggregate Nominal Amount of Sub-Class]

[Title of Bonds]

[unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest

by

[**Name of Financial Guarantor**]]

under the £8,000,000,000 multicurrency programme for the issuance of Guaranteed Bonds

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated [●] [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) (2017/1129) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus Regulation**"). This document constitutes the Final Terms of the Bonds described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer, the Guarantors and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at: http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [●] and incorporated by reference into the Prospectus [current date] [and the supplemental Prospectus dated [●]]. This document constitutes the Final Terms of the Bonds described herein for the purposes of Regulation (EU) (2017/1129) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Prospectus**

[2] Legend to be included for any offers made in Singapore (to persons other than accredited investors and institutional investors (each term as defined in the SFA)) where the Bonds are " prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04:N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investments Products). Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

Regulation") and must be read in conjunction with the Prospectus dated [●] [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the UK Prospectus Regulation, save in respect of the Conditions which are extracted from the Prospectus dated [●] [and the supplemental Prospectus dated [●]] and are attached hereto. Full information on the Issuer, the Guarantors and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus dated [●] [and the supplemental Prospectuses dated [●] and [●]. [The Prospectuses [and the supplemental Prospectuses] are available for viewing at: http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

[Repayment of the principal and payment of any interest or premium in connection with the Bonds has not been guaranteed by any Financial Guarantor or by any other financial institution.]

1	(i) Issuer:	Yorkshire Water Finance plc
	(ii) Guarantors:	Yorkshire Water Services Holdings Limited, Yorkshire Water Services Limited, Yorkshire Water Services Finance Limited
	(iii) Financial Guarantors:	[●]
2	(i) Series Number:	[●]
	(ii) Sub-Class Number:	[●]
3	Relevant Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	
	(i) Series:	[●]
	(ii) Sub-Class:	[●]
	(iii) Tranche:	[●]
5	(i) Issue Price:	[●] per cent. of the Aggregate Nominal Amount of the Tranche [plus [●] representing accrued interest of [●] days from [●] to [●]]
	(ii) Net proceeds:	[●]
6	(i) Specified Denominations:	[●] [€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Bonds in definitive form will be issued with a denomination above [€199,000].] [Note: in relation to any issue of Bonds which are either a Temporary or a Permanent Global Bond exchangeable for Definitive Bearer Bonds in circumstances other than in the limited circumstances specified in the Permanent Global Bond, such Bonds may only be issued in denominations equal to, or greater than

			€100,000 (or equivalent) and multiples thereof.]
	(ii)	Calculation Amount:	[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date (if different from the Issue Date):	[●]
8	Maturity Date:		[●]
9	Instalment Date:		[Not applicable/[●]]
10	Interest Basis:		[[●] per cent. Fixed Rate] [EURIBOR/SONIA] +/-[●] per cent. Floating Rate] [Index Linked Interest]
11	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Instalment] [●]
12	Change of Interest or Redemption/Payment Basis:		[●]
13	Call Options:		[Applicable] / [Not Applicable] [Issuer Call Option] [Issuer Maturity Call]
14	(i)	Status of the Bonds:	Class [A / B] [Wrapped / Unwrapped] Bonds
	(ii)	Status of the Guarantees:	Senior
	(iii)	Status of the Financial Guarantee:	[The Financial Guarantee will rank *pari passu* with all unsecured obligations of the Financial Guarantor.]
	(iv)	FG Event of Default:	[●]
	(v)	[Date [Board] approval for issuance of Bonds [and Guarantee] obtained:	[●] [and [●], respectively]]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	Fixed Rate Bond Provisions:		[Applicable/Not Applicable]
	(i)	Interest Rate:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year, commencing on [●] [adjusted [for payment purposes only] in accordance with [●] / not adjusted]

	(iii) Fixed Coupon Amounts:	[●] per Calculation Amount
	(iv) Broken Amounts:	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual or Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual]360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis][30E/360 (ISDA)]
	(vi) Determination Date:	[●] in each year
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Bonds:	[Not Applicable/[●]]
	(viii) Reference Gilt:	[[●]/Not Applicable]
16	Floating Rate Bond Provisions:	[Applicable/Not Applicable]
	(i) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii) First Interest Payment Date:	[●]
	(iii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other]
	(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(v) Party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and Redemption Amount (if not the Agent Bank):	[Not Applicable/Calculation Agent]
	(vi) Screen Rate Determination:	[Applicable/Not Applicable]
	- Specified Duration:	[●]
	- Relevant Time:	[●]
	- Reference Rate:	[EURIBOR] / [SONIA Compounded Index Rate / SONIA Compounded Daily Reference Rate [with Observation Shift] / [with Lag] where "p" is: [*specify number*] London Business Days [being no less than 5 London Business Days]]
	- Interest Determination Date(s):	[●]/[The last London Business Day of the relevant Observation Period / [2 London Business Days] prior to the first day in each Interest Period]
	- Relevant Screen Page:	[EURIBOR] /[[SONIA [[Bloomberg Screen Page : SONCINDX] / see pages of authorised distributors for SONIA Compounded Index

		Rate] or [Bloomberg Screen Page: SONIO/N Index] / SONIA Compounded Daily Reference Rate as applicable]]
	- Relevant Fallback Screenpage:	[●] / [[SONIA [Bloomberg Screen Page : SONIO/N Index] / see pages of authorised distributors for SONIA Compounded Daily Reference Rate as applicable]]
	(vii) ISDA Determination:	[Applicable/Not Applicable]
	- Floating Rate Option:	[●]
	- Specified Duration:	[●]
	- Reset Date:	[●]
	- [ISDA Definitions]	[2006/2021]
	(viii) Margin(s):	[+/-][●] per cent. per annum
	[Step-Up Fees:]	[●]
	[Step-Up Date:]	[●]
	(ix) Minimum Interest Rate:	[[●] per cent. per annum]/[Not Applicable]
	(x) Maximum Interest Rate:	[[●] per cent. per annum]/ [Not Applicable]
	(xi) Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual or Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360(ISDA)] [●]
	(xii) Additional Business Centre(s):	[●]
	(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Bonds, if different from those set out in the Conditions:	[●]
	(xiv) Relevant Financial Centre:	[●]
	(xv) Representative Amount:	[●]
17	Indexed Bond Provisions:	[Applicable/Not Applicable]
	(i) Index/Formula:	[●]
	(ii) Base Index Figure:	[●]
	(iii) Index Figure applicable:	[As determined in accordance with Condition 7(a) "*Definitions (RPI)*"; [3/8] months lag applies]
	(iv) Interest Rate:	[●] per cent. (as adjusted for indexation in accordance with Condition 7 "*Indexation*")
	(v) Party responsible for calculating the Rate(s) of	[Not Applicable / Calculation Agent]

	Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank):	
(vi)	Provisions for determining Coupon where calculation by reference to index and/or formula is impossible or impracticable:	Applicable. See Conditions 7(c) and 7(e)
(vii)	Interest Payment Dates:	[●]
(viii)	First Interest Payment Date:	[●]
(ix)	Business Day Convention:	[Following Business Day Convention / Modified Following Business Day Convention/ Preceding Business Day Convention/[●]]
(x)	Business Centres:	[]
(xi)	Minimum Indexation Factor:	[Not Applicable/[●]]
(xii)	Maximum Indexation Factor:	[Not Applicable/[●]]
(xiii)	Value of "t" for determining CPI_{m-t}:	[●]
(xiv)	Value of "t" for determining $CPIH_{m-t}$:	[●]
(xv)	Limited Indexation Month(s):	[●]
(xvi)	Reference Gilt:	[[●]/Not Applicable]
(xvii)	Indexed Benchmark Gilt	[[●]/Not Applicable]
(xviii)	Day Count Fraction:	[Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [●]
(xix)	Determination Date(s):	[●]
(xx)	Rate for purposes of Condition 8(b)(iii)(2)(B) "*Optional redemption*":	[[●]/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

18	Issuer Maturity Call	[Applicable in accordance with Condition 8(c) "*Redemption at the Option of the Issuer (Issuer Maturity Call)*"]/[Not Applicable]
	(i) Notice Period:	[●]/[As specified in Condition 8(c) "*Redemption at the Option of the Issuer (Issuer Maturity Call)*"]
	(ii) Issuer Maturity Call Period:	The period commencing on (and including) the day that is [●] [days /

		months] prior to the Maturity Date to (and including) the Maturity Date.
19	Call Option:	[Applicable in accordance with Condition 8(b) "*Optional Redemption*"/Not Applicable]
	(i) Optional Redemption Date(s):	Any Interest Payment Date [prior to the first day of the Issuer Maturity Call Period] [In the case of Floating Rate Bonds, not before [●] and at a premium of [●], if any.] / [●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●] per Calculation Amount [Make-Whole Amount]
	(iii) Redemption Margin:	[[●]/Not Applicable]
	(iv) If redeemable in part:	
	(a) Minimum Redemption Amount:	[Not Applicable]
	(b) Maximum Redemption Amount:	[Not Applicable]
	(v) Notice period (if other than as set out in the Conditions):	[Not Applicable]
20	Final Redemption Amount:	[●] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE BONDS

21	Form of Bonds:	[Bearer/Registered]
	(i) If issued in Bearer form:	[Temporary Global Bond exchangeable for a Permanent Global Bond which is exchangeable for Definitive Bearer Bonds on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Bond/for tax reasons.] [Temporary Global Bond exchangeable for Definitive Bearer Bonds on [●] days' notice]. [Permanent Global Bond exchangeable for Definitive Bearer Bonds on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Bond/for tax reasons.]
	(ii) If Registered Bonds:	[Registered Global Bond exchangeable for Definitive Registered Bonds in the limited circumstances specified in the Registered Global Bond.]

22	Relevant Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/[●]]
23	Talons for future Coupons or Receipts to be attached to Definitive Bearer Bonds (and dates on which such Talons mature):	[Yes/No]
24	Details relating to Instalment Bonds:	[Not Applicable/[●]]
	(i) Instalment Date:	[●]
	(ii) Instalment Amount:	[●]
25	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable / annexed to this Final Terms] apply]

DISTRIBUTION

26	Method of distribution:	[Syndicated/Non-syndicated]
27	(i) If syndicated, names of Managers:	[Not Applicable/[●]]
	(ii) Stabilising Manager (if any):	[Not Applicable/[●]]
28	If non-syndicated, name of Dealer:	[Not Applicable/[●]]
29	U.S. Selling Restrictions:	[Reg. S Compliance Category 2, TEFRA C Rules/TEFRA D Rules/TEFRA not applicable]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the details required for issue and admission to trading on the London Stock Exchange's Main Market and admission to the Official List of the FCA of the Bonds described herein pursuant to the listing of the Programme for the issuance of up to £8,000,000,000 Guaranteed Bonds financing Yorkshire Water Services Limited.

Signed on behalf of the Issuer:

By:

.....

Duly authorised

Signed on behalf of Yorkshire Water Services Limited:

By:

.....

Duly authorised

Signed on behalf of Yorkshire Water Services Holdings Limited:

By:

.....

Duly authorised

Signed on behalf of Yorkshire Water Services Finance Limited:

By:

.....

[Signed on behalf of the Financial Guarantor:

By:

.....

Duly authorised]

PART B - OTHER INFORMATION

1 **Listing**

(i)	Listing:	Listed on the Official List of the Financial Conduct Authority.
(ii)	Admission to trading:	[Application has been made for the Bonds to be admitted to trading on the Main Market of the London Stock Exchange with effect from [●].]
(iii)	Estimate of total expenses related to admission to trading:	[●]

2 **Ratings**

Ratings:	The Bonds to be issued have been rated: [S&P Global Ratings, acting through S&P Global Ratings UK Limited: [●]] [Moody's Investors Service Limited: [●]] [Fitch Ratings Limited: [●]] [and endorsed by [●]]

3 **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]]**

[●]

4 **[Reasons for the offer, estimated net proceeds and total expenses**

(i)	[Reasons for the offer:	[See ["*Use of Proceeds*"] in the Prospectus/[The Bonds are specified as being ["Green Bonds"]["Social Bonds"]["Sustainable Bonds"] and the net proceeds from the sale of the Bonds will be used as described in "*Use of Proceeds*" in the Prospectus [*Give details*]] *(See "Use of Proceeds" in the Prospectus)*
(ii)	[Estimated net proceeds:	[●]
(iii)	[Estimated total expenses:	[●]]

5 **[YIELD**

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 **[Floating Rate Bonds Only - HISTORIC INTEREST RATES**

Details of historic [SONIA/EURIBOR] rates can be obtained from [Reuters].]

7 **[Index-Linked or other variable-linked Bonds only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

(i)	Name of underlying index:	[UK Retail Price Index (RPI) (all items) published by the Office for National Statistics] / [any comparable index which may replace the UK Retail Price Index] / [UK Consumer Price Index (CPI) (all items) published

		by the Office for National Statistics] / [UK Consumer Price Index including owner occupiers' housing costs (CPIH) (all items) published by the Office for National Statistics].
	(ii) Information about the Index, its volatility and past and future performance can be obtained from:	More information on [RPI/CPI/CPIH/comparable index which may replace RPI/CPI/CPIH] including past and current performance and its volatility and fall back provisions in the event of a disruption in the publication of [RPI/CPI/CPIH], can be found at [www.statistics.gov.uk / relevant replacing website / www.ons.gov.uk/economy/inflationandpriceindices]
8	**Operational information**	
	ISIN:	[●]
	Common Code:	[●]
	[CFI:	[Not Applicable/[●]]
	[FISN:	[Not Applicable/[●]]
	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking SA and the relevant identification number(s):	[Not Applicable/[●]]
	Delivery:	Delivery [against/free of] payment
	Names and addresses of initial Paying Agent(s):	[●]
	Names and addresses of additional Paying Agent(s) (if any):	[●]
9	**Green Bonds**	[Applicable]/[Not Applicable]
10	**Social Bonds**	[Applicable]/[Not Applicable]
11	**Sustainability Bonds**	[Applicable]/[Not Applicable]

CHAPTER 9
USE OF PROCEEDS

The proceeds from each issue of Bonds by the Issuer under the Programme have been or will be on-lent to YWS under the terms of an Issuer/YWS Loan Agreement to be applied by YWS for its general corporate purposes or used to repay or service YWS's Financial Indebtedness.

If, in respect of an issue of Bonds, there is a particular use of proceeds, this will be stated in the applicable Final Terms.

YWS, together with its financing subsidiaries Yorkshire Water Services Finance Limited and Yorkshire Water Finance plc, established the Yorkshire Water Sustainable Finance Framework in 2019, which was subsequently updated in 2023. Where the applicable Final Terms indicates that the Bonds are Green Bonds, Social Bonds or Sustainable Bonds (each as described below), the Issuer intends to apply the net proceeds from such issue of Bonds (or an amount equal thereto) specifically to finance or refinance, in whole or in part, assets and expenditures of a sustainable nature across YWS's activities, meeting certain eligibility criteria, as further set out in the Yorkshire Water Sustainable Finance Framework.

Green Bonds

Where the applicable Final Terms denote a Series of Bonds as Green Bonds, the proceeds of the Bonds will be on-lent by the Issuer to YWS for the financing and/or refinancing of, and/or investment in, the Eligible Green Portfolio (as defined below) falling within the Green Eligible Categories (as defined below).

For the purposes of this Chapter 9:

"**Eligible Green Portfolio**" means a portfolio of one or more Eligible Green Investments. Debt financing will only be allocated against investments where spend has occurred within the two financial years prior to the financial year of issuance of the relevant debt, where spend occurs within the financial year of issuance of the relevant debt, and/or where spend is due to occur within a period of two financial years following the financial year of issuance of the relevant debt.

"**Eligible Green Investments**" means investments which fall within the Green Eligible Categories.

"**Green Eligible Categories**" means the categories prepared by the Issuer and/or YWS as set out in the Yorkshire Water Sustainable Finance Framework (which shall be made available at www.keldagroup.com) and includes:

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity conservation
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaption
- Eco-efficient and/or circular economy adapted products, production technologies and processes

- Green buildings.

"**Yorkshire Water Sustainable Finance Framework**" means the framework produced by the Issuer and YWS under which it can raise debt to support the financing and/or refinancing of assets and expenditures of a sustainable nature across its activities.

A third party consultant may review the Eligible Green Investments and issue a report and/or opinion based on the Eligible Green Investments (a "**Green External Review**"). The Green External Review will be made available at www.keldagroup.com.

The Issuer and/or YWS will establish systems and/or processes to monitor and account for the net proceeds for investment in the Eligible Green Portfolio falling within the Green Eligible Categories.

Social Bonds

Where the applicable Final Terms denote a Series of Bonds as Social Bonds, the proceeds of the Bonds will be on-lent by the Issuer to YWS for the financing and/or refinancing of, and/or investment in, the Eligible Social Portfolio (as defined below) falling within the Social Eligible Categories (as defined below).

For the purposes of this Chapter 9:

"**Eligible Social Investments**" means investments which fall within the Social Eligible Categories.

"**Eligible Social Portfolio**" means a portfolio of one or more Eligible Social Investments. Debt financing will only be allocated against investments where spend has occurred within the two financial years prior to the financial year of issuance of the relevant debt, where spend occurs within the financial year of issuance of the relevant debt, and/or where spend is due to occur within a period of two financial years following the financial year of issuance of the relevant debt.

"**Social Eligible Categories**" means the categories prepared by the Issuer and/or YWS as set out in the Yorkshire Water Sustainable Finance Framework (which shall be made available at www.keldagroup.com) and includes:

- Affordable basic infrastructure
- Access to essential services
- Affordable housing
- Employment generation
- Food security and sustainable food systems
- Socioeconomic advancement and empowerment

A third party consultant may review the Eligible Social Investments and issue a report and/or opinion based on the Eligible Social Investments (a "**Social External Review**"). The Social External Review will be made available at www.keldagroup.com.

The Issuer and/or YWS will establish systems and/or processes to monitor and account for the net proceeds for investment in the Eligible Social Portfolio falling within the Social Eligible Categories.

Sustainability Bonds

Where the applicable Final Terms denote a Series of Bonds as Sustainability Bonds, the proceeds of the Bonds will be on-lent by the Issuer to YWS for the financing and/or refinancing of, and/or investment in, the Eligible Sustainability Portfolio (as defined below) falling within the Sustainability Eligible Categories (as defined below).

For the purposes of this Chapter 9:

"**Eligible Sustainability Portfolio**" means a portfolio of one or more Eligible Sustainability Investments. Debt financing will only be allocated against investments where spend has occurred within the two financial years prior to the financial year of issuance of the relevant debt, the financial year of issuance of the relevant debt, and/or where spend is due to occur within a period of two financial years following the financial year of issuance of the relevant debt.

"**Eligible Sustainability Investments**" means investments which fall within the Sustainability Eligible Categories.

"**Sustainability Eligible Categories**" means the categories prepared by the Issuer and/or YWS as set out in the Yorkshire Water Sustainable Finance Framework (which shall be made available at www.keldagroup.com).

A third party consultant may review the Eligible Sustainability Investments and issue a report and/or opinion based on the Eligible Sustainability Investments (a "**Sustainability External Review**"). The Sustainability External Review will be made available at www.keldagroup.com.

The Issuer and/or YWS will establish systems and/or processes to monitor and account for the net proceeds for investment in the Eligible Sustainability Portfolio falling within the Sustainability Eligible Categories.

Management of proceeds in relation to Green Bonds, Social Bonds and Sustainability Bonds:

The net proceeds from each issue of Sustainable Bonds will be managed by the YWS Treasury team to fund various operations and capital expenses of YWS (excluding EBCs) including, for example, (a) paying down existing drawings under the Company's revolving credit facility; (b) refinancing upcoming debt maturities; or (c) placing on short-term deposit and drawn upon when required. YWS will hold or invest, at its discretion, any unallocated net proceeds as per its internal treasury policy. Where possible and practicable, unallocated net proceeds will be invested in Sustainable Liquid Investments.

"**EBCs**" means the Excluded Budgetary Categories which are:

- Personal expenditures
- Financing costs (including costs associated with raising finance)
- Landfill assets and expenditures
- Yorkshire Water's fossil fuel fleet
- Assets and expenditures linked to the incineration of waste (this does not exclude activities for converting incinerators and associated assets to Anaerobic Digestion or other renewable energy generation technologies)
- Potential fines and legal costs associated with pollution incidents (if any)

"**Sustainable Liquid Investments**" means:

- Green, Social or Sustainability bonds issued by Governments and/or Government-related entities with a minimum credit rating of AA/Aa2/AA by all of S&P, Moody's and Fitch; and
- Bank Green deposits, with the counterparty, size and tenor of deposits governed by YWS internal Treasury policy

Reporting in relation to Green Bonds, Social Bonds, and Sustainability Bonds:

Second Party Opinion (pre-issuance)

In November 2023, the Issuer and YWS obtained an external review (the "**DNV External Review**") on the Yorkshire Water Sustainable Financing Framework from DNV Business Assurance Services UK Limited ("**DNV**"). The DNV External Review concludes that in the opinion of DNV, the Yorkshire Water Sustainable Financing Framework is aligned with the ICMA Green Bond Principles, ICMA Social Bond Principles, the ICMA Sustainability Bond Guidelines, the LMA Green Loan Principles and the LMA Social Loan Principles. Each of the Yorkshire Water Sustainable Financing Framework and the DNV External Review has been made available on the Issuer's website www.keldagroup.com. The criteria and/or considerations that formed the basis of the DNV External Review, or any other External Review, may change at any time and the DNV External Review, and/or any other External Review, may be amended, updated, supplemented, replaced and/or withdrawn. The Yorkshire Water Sustainable Financing Framework may also be subject to review and change and may be amended, updated, supplemented, replaced and/or withdrawn from time to time and any subsequent version(s) may differ from any description given in this Prospectus.

Annual Audit (post-issuance)

Annually, the Issuer will issue a report on: (i) the Eligible Green Portfolio to which proceeds of Green Bonds have been allocated and the amounts allocated; (ii) the expected impact of the Eligible Green Portfolio; (iii) the Eligible Social Portfolio to which proceeds of Social Bonds have been allocated and the amounts allocated; (iv) the expected impact of the Eligible Social Portfolio; (v) the Eligible Sustainability Portfolio to which proceeds of Sustainability Bonds have been allocated and the amounts allocated; (vi) the expected impact of the Eligible Sustainability Portfolio; and (vii) the balance of unallocated cash and/or cash equivalent investments (previously known as the Impact Report, now the "**Allocation Report**") which will be issued within twelve months of the end of each financial year and as necessary in the event of material developments. The Allocation Report for the year ended March 2024 has been published and is available on the Issuer's website at www.keldagroup.com. In addition, the Issuer expects to provide regular information through its website www.keldagroup.com on the environmental and/or social outcomes of the Eligible Green Portfolio, Eligible Social Portfolio and the Eligible Sustainability Portfolio.

For the avoidance of doubt, any External Review, any Allocation Report, the DNV External Review, the Yorkshire Water Sustainable Financing Framework and the contents of any of the above websites are not incorporated into, and do not form part of, this Prospectus.

CHAPTER 10
DESCRIPTION OF THE HEDGE COUNTERPARTIES

The information contained herein relates to each Hedge Counterparty. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of a Hedge Counterparty since the date hereof, or that the information contained or referred to herein is correct at any time subsequent to its date. Credit ratings included or referred to in this Chapter 10 and in this Prospectus have been issued by the Rating Agencies, each of which are established in the UK and registered under the UK CRA Regulation.

Banco Santander, S.A., London Branch

Banco Santander, S.A., London Branch is a branch of Banco Santander, S.A. with its principal place of business located at 2 Triton Square, Regents Place, London, NW1 3AN. It is authorised by the Bank of Spain (BoS) and subject to regulatory oversight on certain matters by the Financial Conduct Authority and the Prudential Regulation Authority.

Banco Santander, S.A. is the parent bank of Grupo Santander (for the purposes only of this description of Banco Santander, S.A., London Branch, "Santander"). It was established on 21 March 1857 and incorporated in its present form by a public deed executed in the city of Santander, Spain, on 14 January 1875.

Banco Santander, S.A. and its consolidated subsidiaries are a financial group operating through a network of offices and subsidiaries across Spain, the United Kingdom and other European countries, Brazil and other Latin American countries and the US, offering a wide range of financial products. In Latin America, Santander has majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay.

At 31 December 2024, Santander had a market capitalisation of €67.6 billion, stockholders' equity of €96.7 billion and total assets of €1,837.1 billion. Santander had €1,348.4 billion total customer funds at that date. As of 31 December 2024, Santander had 65,746 employees and 3,022 branch offices in Europe (23,980 employees and 1,827 branches in Spain and 20,455 employees and 444 branches in the United Kingdom), 42,846 employees and 1,761 branches in North America, 79,571 employees and 2,902 branches in South America (of which 56,619 employees and 2,202 branches in Brazil), 16,792 employees and 326 branches in Digital Consumer Bank and 1,798 employees in the Corporate Centre. Banco Santander, S.A has a long-term credit rating of "A" by Fitch, "A+" by S&P, "A2" by Moody's and "A (high)" by DBRS Ratings GmbH.

Barclays Bank PLC

Barclays Bank PLC (for the purposes only of this description of Barclays Bank PLC, the "Bank", and together with its subsidiary undertakings, the "Barclays Bank Group") is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Bank is limited. It has its registered head office at 1 Churchill Place, London E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). The Bank was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC". The whole of the issued ordinary share capital of the Bank is beneficially owned by Barclays PLC. Barclays PLC (for the purposes only of this description of Barclays Bank PLC, together with its subsidiary undertakings, the "Group" or "Barclays") is the ultimate holding company of the Group.

Barclays is a diversified bank with five operating divisions comprising: Barclays UK, Barclays UK Corporate Bank, Barclays Private Bank and Wealth Management, Barclays Investment Bank and Barclays US Consumer Bank supported by Barclays Execution Services Limited, the Group-wide service company providing technology, operations and functional services to businesses across the Group.

Barclays Bank PLC is the non-ring-fenced bank within the Group and its principal activity is to offer products and services designed for larger corporate, private bank and wealth management, wholesale and international banking clients. The Barclays Bank Group contains the Barclays UK Corporate Bank (UKCB), Barclays Private Bank and Wealth Management (PBWM), Barclays Investment Bank (IB) and Barclays US Consumer Bank (USCB) businesses. Barclays Bank PLC offers customers and clients a range of products and services spanning consumer and wholesale banking.

Barclays UK broadly represents businesses within the Group that sit within Barclays Bank UK PLC, the UK ring-fenced bank, and its subsidiaries, and comprises UK Personal Banking, UK Business Banking and Barclaycard Consumer UK. The UK Personal Banking business offers retail solutions to help customers with their day-to-day banking needs, the UK Business Banking business serves business clients, from high growth start-ups to small-and-medium-sized enterprises, with specialist advice, and the Barclaycard Consumer UK business offers flexible borrowing and payment solutions.

From 1 November 2024, Barclays UK includes the retail banking business (Tesco Bank) acquired from Tesco Personal Finance plc – which includes credit cards, unsecured personal loans, savings and operating infrastructure.

The short term unsecured obligations of the Bank are rated A-2 by S&P Global Ratings, acting through S&P Global Ratings UK Limited, P-2 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the unsecured unsubordinated long term obligations of the Bank are rated BBB+ by S&P Global Ratings, acting through S&P Global Ratings UK Limited, Baa1 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited. The Bank's credit ratings included or referred to in this Prospectus will be treated for the purposes of the UK CRA Regulation as having been issued by Fitch, Moody's and S&P, each of which is established in the United Kingdom and has been registered under the UK CRA Regulation. As such, each of S&P, Moody's and Fitch appears on the latest update of the list of registered credit rating agencies (as at the date of this Prospectus on the FCA's Financial Services Register). The ratings each of Fitch, Moody's and S&P have given in relation to the Bank are endorsed by Fitch Ratings Ireland Limited, Moody's Deutschland GmbH and S&P Global Ratings Europe Limited respectively, each of which is established in the European Economic Area and registered under Regulation (EU) No 1060/2009 on credit rating agencies, as amended.

BNP PARIBAS

BNP Paribas' organisation is based on three operating divisions: Corporate & Institutional Banking (CIB), Commercial, Personal Banking & Services (CPBS) and Investment & Protection Services (IPS).

Corporate and Institutional Banking (CIB) division, combines:

- Global Banking,
- Global Markets, and
- Securities Services.

Commercial, Personal Banking & Services division, covers:

- Commercial & Personal Banking in the euro zone:
  - Commercial & Personal Banking in France (CPBF),
  - BNL banca commerciale (BNL bc), Italian Commercial & Personal Banking,
  - Commercial & Personal Banking in Belgium (CPBB), and
  - Commercial & Personal Banking in Luxembourg (CPBL);
- Commercial & Personal Banking outside the euro zone, organised around:
  - Europe-Mediterranean, covering Commercial & Personal Banking outside the euro zone, in particular in Central and Eastern Europe, Turkey and Africa; and
- Specialised businesses:
  - BNP Paribas Personal Finance,
  - Arval and BNP Paribas Leasing Solutions, and
  - New Digital Businesses (in particular Nickel, Floa, Lyf) and BNP Paribas Personal Investors.

Investment & Protection Services division, combines:

- Insurance (BNP Paribas Cardiff), and
- Wealth and Asset Management: BNP Paribas Asset Management, BNP Paribas Real Estate, BNP PARIBAS Principal Investments (management of the BNP Paribas Group's portfolio of unlisted and listed industrial and commercial investments) and BNP Paribas Wealth Management.

The information contained in this section relates to and has been obtained from BNP PARIBAS. The information concerning BNP PARIBAS, and the BNP PARIBAS Group contained herein is furnished solely to provide limited introductory information regarding BNP PARIBAS, and the BNP PARIBAS Group and does not purport to be comprehensive.

The delivery of the information contained in this section shall not create any implication that there has been no change in the affairs of BNP PARIBAS, or the BNP PARIBAS Group since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

For up-to-date financial information, including quarterly results since the last fiscal year end, please refer to http://invest.bnpparibas/en.

BGL BNP PARIBAS

Founded in 1919 under the name "Banque Générale du Luxembourg", BGL BNP PARIBAS is one of the largest banks in the Grand Duchy of Luxembourg and a member of the BNP PARIBAS Group (for the purposes only of this description of BGL BNP Paribas, the "BNPP Group"). It offers its retail, professional, private banking and corporate clients a wide range of financial products and bancassurance solutions.

As set out at Article 2 of the BGL BNP PARIBAS' Articles of Association, the object of BGL BNP PARIBAS is to carry out any banking and financial operations of any kind, to render any services, to

acquire participating interests, and to undertake any commercial, industrial or other operations, involving movable or immovable assets, on its own behalf and on that of third parties, directly or indirectly linked to its corporate object or that might facilitate the accomplishment thereof. BGL BNP PARIBAS may accomplish its purpose in the Grand Duchy of Luxembourg and abroad.

The information contained in this section relates to and has been obtained from BNP PARIBAS. The information concerning BNP PARIBAS and the BNP PARIBAS Group contained herein is furnished solely to provide limited introductory information regarding BNP PARIBAS and the BNP PARIBAS Group and does not purport to be comprehensive.

The delivery of the information contained in this section shall not create any implication that there has been no change in the affairs of BNP PARIBAS or the BNP PARIBAS Group since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

For up-to-date financial information, including quarterly results since the last fiscal year end, please refer to http://invest.bnpparibas/en.

HSBC Bank plc

HSBC Bank plc and its subsidiaries form a group providing a range of banking products and services.

HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

J.P. Morgan Securities plc

J.P. Morgan Securities plc is a public limited company incorporated and domiciled in England and Wales and registered with Companies House with company number 02711006 and with its registered office at 25 Bank Street, Canary Wharf, London. J.P. Morgan Securities plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom.

Lloyds Bank Corporate Markets plc

Lloyds Bank Corporate Markets plc (for the purposes only of this description of Lloyds Bank Corporate Markets plc, "Lloyds Bank Corporate Markets") (LEI 213800MBWEIJDM5CU638) is a wholly owned subsidiary of Lloyds Banking Group plc (for the purposes only of this description of Lloyds Bank Corporate Markets plc, together with its subsidiary undertakings from time to time, "Lloyds Banking Group"), was incorporated under the laws of England and Wales on 28 September 2016 (registration number 10399850) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Lloyds Bank Corporate Markets' registered office is at 25 Gresham Street, London EC2V 7HN, United Kingdom.

Lloyds Bank Corporate Markets was created in response to the Financial Services (Banking Reform) Act 2013, which took effect from 1 January 2019 and requires the separation of certain commercial banking activities and international operations from the rest of the Lloyds Banking Group.

Lloyds Bank Corporate Markets and its subsidiaries provides deposit taking, lending and transaction banking products and services to customers (both new and existing) and is also responsible for the provision of certain wholesale banking products and services (including loan markets, bonds and asset securitisation and elements of foreign exchange, commodities and rate management). Lloyds Bank

Corporate Markets has a client-led strategy, focused on UK based clients and international clients with a link to the UK.

Additional information on Lloyds Bank Corporate Markets, and Lloyds Banking Group's approach to ring-fencing, is available from Investor Relations, Lloyds Banking Group, 33 Old Broad Street, London, EC2N 1HZ or from the following internet website address: http://www.lloydsbankinggroup.com. The information on this website does not form part of this Prospectus.

Morgan Stanley & Co. International plc

Morgan Stanley & Co. International plc is a public company incorporated with limited liability under the laws of England and Wales whose registered office is at 25 Cabot Square, Canary Wharf, London, E14 4QA, United Kingdom. Morgan Stanley & Co. International plc is an indirect wholly owned subsidiary of Morgan Stanley. Morgan Stanley & Co. International plc is a U.K. registered broker-dealer. The principal activity of Morgan Stanley & Co. International plc is the provision of financial services to corporations, governments and financial institutions across a global client base. It is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

National Australia Bank Limited (ABN 12 004 044 937)

National Australia Bank Limited (ABN: 12 004 044 937) ("**NAB**") is a public limited company incorporated in the Commonwealth of Australia and operates under Australian legislation including the Corporations Act 2001 of Australia. Its registered office is Level 28, 395 Bourke Street, Melbourne, Victoria 3000, Australia. NAB is the holding company for the NAB Group (comprising NAB and its controlled entities), as well as being the main operating company.

National Westminster Bank Plc

National Westminster Bank Plc (for the purposes only of this description of National Westminster Bank Plc, "NWB Plc") is a wholly-owned subsidiary of NatWest Holdings Limited and its ultimate holding company is NatWest Group plc, a banking and financial services group. NWB Plc and its subsidiaries (for the purposes only of this description of National Westminster Bank Plc, "NWB Group") serves customers across the UK with a range of retail and commercial banking products and services. A wide range of personal products are offered including current accounts, credit cards, personal loans, mortgages and wealth management services.

For more information, please see the NWB Group Annual Report and Accounts 2024, available at https://investors.natwestgroup.com/.

The most recent ratings of NWB Plc can be found on https://investors.natwestgroup.com/fixed-income-investors/credit-ratings.

The contents of these websites do not form part of this Prospectus and are not incorporated by reference into this Prospectus.

NatWest Markets Plc

NatWest Markets Plc (for the purposes only of this description of NatWest Markets Plc, "NWM Plc") is a wholly-owned subsidiary of NatWest Group plc (for the purposes only of this description of NatWest Markets Plc, the "holding company").

The NWM group comprises NWM Plc and its subsidiary and associated undertakings (for the purposes only of this description of NatWest Markets Plc, the "NWM Group"). The NatWest group comprises the holding company and its subsidiary and associated undertakings, including the NWM Group (for the purposes only of this description of NatWest Markets Plc, the "NatWest Group").

As part of NatWest Group, NWM Plc supports NatWest Group's corporate and institutional customers. NWM Plc works in close collaboration with teams across NatWest Group to provide capital markets and risk management solutions to its customers.

Further information relating to the NWM Group can be found in the NWM Plc 2024 Annual Report and Accounts, the NWM Group Q1 2025 Interim Management Statement and any relevant NWM Group Registration Document, including any updates or supplements thereto and other relevant filings or announcements, which can be found at: https://investors.natwestgroup.com/regulatory-news/company-announcements.

The most recent ratings of NWM Plc and the respective entities can be found on: https://investors.natwestgroup.com/fixed-income-investors/credit-ratings.

The contents of those websites do not form part of this Prospectus and are not incorporated by reference into this Prospectus.

CHAPTER 11
TAX CONSIDERATIONS

UK Taxation

The following is a general summary of the UK withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Bonds. It is based on current law as applied in England and Wales and the published practice of His Majesty's Revenue and Customs ("**HMRC**"), which may not be binding on HMRC and may be subject to change, sometimes with retrospective effect. The comments do not deal with other UK tax aspects of acquiring, holding or disposing (including redeeming) of Bonds. The comments are made on the assumption that the Issuer of the Bonds is resident in the UK for UK tax purposes. The comments relate only to the position of persons who are absolute beneficial owners of the Bonds. The comments do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. Prospective Bondholders should be aware that the particular terms of issue of any series of Bonds may affect the tax treatment of that and other series of Bonds. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Bondholders who are in any doubt as to their tax position should consult their professional advisers. Bondholders who may be liable to taxation in jurisdictions other than the UK in respect of their acquisition, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain UK taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.

The references to "interest" in this section mean "interest" as understood in UK tax law. The statements do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation.

The following description of the UK withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 8(d) "*Redemption for Index Event, Taxation or Other Reasons*" or Condition 15(d) "*Substitution of the Issuer*" of the Bonds or otherwise and does not consider the tax consequences of any such substitution.

Payment of Interest by the Issuer on the Bonds

Bonds which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange, within the meaning of section 1005 of the Income Tax Act 2007 as it applies for the purposes of section 987 of the Income Tax Act 2007. Whilst the Bonds are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Bonds may be made without withholding or deduction for or on account of UK income tax.

Securities will be regarded as "listed on a recognised stock exchange" for this purpose if (and only if) they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the UK official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the UK in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange for these purposes, and accordingly the Bonds will constitute quoted Eurobonds provided they are and continue to be included in the UK official list and admitted to trading on the London Stock Exchange.

In all cases falling outside the exemption described above, interest on the Bonds will generally fall to be paid under deduction of UK income 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 to any other relief or exemption which may apply. However, this withholding obligation will not apply if the relevant interest is paid on Bonds with a Maturity Date of less than one year from the date of issue and which are not issued under a scheme or arrangement of borrowing intended to be capable of remaining outstanding for a year or more. If UK withholding tax is imposed, the Issuer will not pay additional amounts in respect of the Bonds.

Payments by Guarantor or Financial Guarantor

The UK withholding tax treatment of payments by the Guarantor or Financial Guarantor under the terms of the Guarantee or Financial Guarantee in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) is uncertain. In particular, such payments by a Guarantor or Financial Guarantor may not be eligible for the exemptions described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor or Financial Guarantor makes any such payments, these may be subject to UK withholding tax at the basic rate (currently 20 per cent.). If UK withholding tax is imposed, no Guarantor or Financial Guarantor will pay additional amounts in respect of the Bonds.

Foreign Account Tax Compliance Act Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as the Foreign Account Tax Compliance Act ("**FATCA**"), a "foreign financial institution" (including an intermediary through which Bonds are held) may be required to withhold at a rate of 30 per cent. on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements (each an "**IGA**") with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, proposed regulations have been issued which provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Bonds characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional tranches of a Sub-Class of Bonds (as described under "*Terms and Conditions of the Bonds – Form, Denomination and Title – Fungible Issues of Bonds comprising a Sub-Class*") that are not distinguishable from other tranches of such Sub-Class issued prior to the expiration of such grandfathering period are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then, withholding agents may treat all Bonds in such Sub-Class, including grandfathered tranches of Bonds of the same Sub-Class, as subject to withholding under FATCA. Holders should consult their own tax

advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person would be required to pay additional amounts as a result of the withholding.

CHAPTER 12
SUBSCRIPTION AND SALE

Dealership Agreement

Bonds may be sold from time to time by the Issuer to any one or more of Bank of China Limited, London Branch, Barclays Bank PLC, BNP PARIBAS, Lloyds Bank Corporate Markets plc, National Australia Bank Limited (ABN 12 004 044 937), NatWest Markets Plc, MUFG Securities EMEA plc, RBC Europe Limited, SMBC Bank International plc and any other dealer appointed from time to time in respect of the Programme or a particular Issue Date (each a Dealer and together the Dealers) pursuant to the Dealership Agreement originally dated 15 July 2009 as amended, supplemented, restated and/or novated from time to time, made between, amongst others, YWS, the Issuer, the Arranger and the Dealers. The arrangements under which a particular Sub-Class of Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in the Dealership Agreement and the subscription agreements relating to each Sub-Class of Bonds. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Bonds, the price at which such Bonds will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series, Class or Sub-Class of Bonds.

In the Dealership Agreement, the Issuer, failing whom YWS, have each agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and maintenance of the Programme and the issue of Bonds under the Dealership Agreement and each of the Obligors has agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Selling and Transfer Restrictions of the United States of America

Selling Restrictions

The Bonds and the Guarantees in respect thereof have not been and will not be registered under the Securities Act or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, or in the case of Bearer Bonds, delivered, within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. Terms used in this paragraph have the meaning given to them in Regulation S. The Bonds and the Guarantees in respect thereof are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

Bearer Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and U.S. Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C Rules or TEFRA D Rules apply or whether TEFRA is not applicable.

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to agree, that, except as permitted by the Dealership Agreement, it has not offered or sold or, in the case of Bearer Bonds, delivered, the Bonds and the Guarantees in respect thereof, and agrees that it will not offer, sell or, in the case of Bearer Bonds, deliver the Bonds and the Guarantees in respect thereof: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Bonds comprising the relevant Sub-Class, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Sub-Class of Bonds

to or through more than one Dealer, by each of such Dealers as to the Bonds of such Sub-Class purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) only in accordance with Rule 903 of Regulation S.

Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any "directed selling efforts" with respect to the Bonds and the Guarantees in respect thereof, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer agrees that, at or prior to confirmation of sale of Bonds and the Guarantees in respect thereof, it will have sent to each dealer within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each Dealer to which it sells Bonds and the Guarantees in respect thereof during the distribution compliance period a confirmation or other notice to substantially the following effect: "The securities and the guarantees covered hereby have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Bonds on a syndicated basis, the relevant Dealer, of all Bonds of the sub-Class of which such Bonds are a part, except in either case in accordance with Regulation S under the Securities Act and all applicable state or local securities laws. Terms used above have the meanings given to them by Regulation S under the Securities Act".

In addition, until 40 days after the commencement of the offering of Bonds comprising any Sub-Class and the Guarantees in respect thereof, any offer or sale of such Bonds and the Guarantees in respect thereof 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, or in a transaction not subject to, the registration requirements of the Securities Act.

Bearer Bonds will be issued in accordance with U.S. Treasury Regulation §1.163-(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for the purposes of Section 4701 of the Code) ("**TEFRA C**") or U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) ("**TEFRA D**") or other than in compliance with the TEFRA D or TEFRA C but in circumstances in which the Bonds will not constitute "registration required obligations" under TEFRA, which circumstances will be referred to in the applicable Final Terms as a transaction to which TEFRA is not applicable, as specified in the relevant Final Terms or Drawdown Prospectus relating to one or more Sub-Classes of Bearer Bonds.

(a) In respect of Bearer Bonds where the applicable Final Terms specify that TEFRA D Rules apply, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) except to the extent permitted under the TEFRA D Rules, (A) it has not offered or sold, and during a 40- day restricted period shall not offer or sell, Bearer Bonds to a person who is within the United States or its possessions or to a United States person; and (B) it has not delivered and shall not deliver within the United States or its possessions definitive Bearer Bonds that are sold during the restricted period;

(ii) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Bonds are aware that such Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

(iii) if such Dealer is a United States person, it represents that it is acquiring the Bearer Bonds for purposes of resale in connection with their original issuance and if it retains Bearer Bonds for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg 1.163- 5(c)(2)(i)(D)(6) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code);

(iv) with respect to each affiliate that acquires from such Dealer Bearer Bonds for the purpose of offering or selling such Bonds during the restricted period, each Dealer either (A) repeats and confirms the representations contained in Clauses (i), (ii) and (iii) on behalf of such affiliate or (ii) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in Clauses (i), (ii) and (iii); and

(v) it will obtain for the benefit of the Issuer the representations and agreements contained in clauses (i), (ii), (iii), (iv) and this clause (v) from any person other than its affiliates with whom it enters into a written contract, as defined in U.S. Treasury Regulation § 1.163-5(c)(2)(i)(D)(4) (or any successor rules in substantially the same form for the purposes of section 4701 of the Code), for the offer or sale during the restricted period of Bearer Bonds.

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the TEFRA D Rules.

(b) In respect of Bearer Bonds where the applicable Final Terms specify that TEFRA C Rules apply, such Bearer Bonds must be issued and delivered outside the United States and its possessions in connection with their original issuance and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Bonds within the United States or its possessions in connection with their original issuance; and

(ii) in connection with the original issuance of such Bearer Bonds, it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or the Dealer is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Bonds.

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the TEFRA C Rules.

The Bonds will be offered, sold and delivered only outside the United States to persons who are not U.S. Persons in "offshore transactions" (as defined in and in reliance on Regulation S).

The Issuer and the Dealers reserve the right to reject any offer to purchase the Bonds, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Due to the restrictions set forth above, purchasers of the Bonds are advised to consult legal counsel prior to making an offer to purchase or to re-sell, pledge or otherwise transfer the Bonds.

Transfer Restrictions

Each purchaser of the Bonds and the Guarantees in respect thereof outside the United States pursuant to Regulation S and each subsequent purchaser of such Bonds and the Guarantees in respect thereof in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Bonds and the Guarantees in respect thereof, will be deemed to have represented, agreed and acknowledged that:

(a) It is, or at the time the Bonds and the Guarantees in respect thereof are purchased will be, the beneficial owner of such Bonds and the Guarantees in respect thereof and: (i) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(b) It understands that such Bonds and the Guarantees in respect thereof have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge, deliver or otherwise transfer such Bonds and the Guarantees in respect thereof except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, and in each case in accordance with any applicable securities laws of any state of the United States or other jurisdiction.

(c) It understands that such Bonds, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following:

"THIS BOND AND THE GUARANTEES IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED, DELIVERED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT.

(d) It understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Prospectus as contemplated by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129, as amended from time to time; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Prospectus as contemplated by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of 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 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; or

(iii) not qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) ***No deposit-taking***: in relation to any Bonds having a maturity of less than one year from the date of issue:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Bonds other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) ***Financial promotion***: it has only communicated or caused to be communicated, and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(c) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Canada

The Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide an investor with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the investor within the time limit prescribed by the securities legislation of the investor's province or territory. The investor should refer to any applicable provisions of the securities legislation of the investor's province or territory for particulars of these rights or consult with a legal advisor.

Upon receipt of this Prospectus, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Bonds described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

General

Save for obtaining the approval of the Prospectus by the FCA in accordance with Part VI of the FSMA for the Bonds to be admitted to listing on the Official List of the FCA and to trading on the Market, no action has been or will be taken in any jurisdiction by the Issuer, the Dealers or any other parties that would permit a public offering of Bonds, or possession or distribution of the Prospectus or any other offering material, in any jurisdiction where action for that purpose is required. Each Dealer shall to the best of its knowledge, comply with all applicable laws, regulations and directives in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute the Prospectus or any other offering material, in all cases at their own expense.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Bonds 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 Bonds 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 Issuer, the Obligors, the Issuer Security Trustee, the Obligor Security Trustee or any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Obligors, the Issuer Security Trustee, the Obligor Security Trustee and the Dealers represents that Bonds 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 such sale.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific country or jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in the official interpretation, after the date of the Dealership Agreement, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraphs above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms or Drawdown Prospectus (in the case of a supplement or modification relevant only to a particular Sub-Class of Bonds) or (in any other case) in a supplement to this Prospectus.

CHAPTER 13
GENERAL INFORMATION

Authorisation

The establishment of the Programme, the issue of Bonds thereunder and the giving of the guarantee by Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited of the obligations of YWS and YWSF were duly authorised by resolutions of the Board of Directors (the "**Board**") of Yorkshire Water Services Bradford Finance Limited passed at a meeting of the Board held on 24 June 2009 and by resolutions of the Board of Directors of Yorkshire Water Services Odsal Finance Limited passed at a meeting of the Board held on 24 June 2009. The accession of the Issuer into the YW Financing Group and as the issuer of Bonds, and the giving of the guarantee has been duly authorised by resolutions of the Board of Directors of the Issuer passed at a meeting of the Board held on 27 July 2018. On 16 August 2018, the Issuer entered into all relevant Finance Documents as an Obligor and replaced Yorkshire Water Services Bradford Finance Limited and Yorkshire Water Services Odsal Finance Limited as the issuer of the Bonds. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

The giving of the guarantees by each of YWS, YWSF, and YWH has been duly authorised by a resolution of the Board of Directors of each of YWS, YWSF, and YWH, respectively, each of which is dated 24 June 2009. The 2025 update of the Programme has been duly authorised by further resolutions of the Board of Directors and/or Board Committee of each of YWS, the Issuer, YWH and YWSF (as applicable), the last such authorisation having been obtained on 9 July 2025.

Listing of Bonds

It is expected that each Sub-Class of Bonds which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Bond or Bonds initially representing the Bonds of such Sub-Class. In the case of each Sub-Class of Wrapped Bonds, admission to the Official List and to trading on the Market is subject to the issue of the relevant Financial Guarantee by the relevant Financial Guarantor in respect of such Sub-Class. The listing of the Programme in respect of Bonds was granted on 15 July 2009 and is expected to be updated on or around 16 July 2025.

Documents Available

For so long as the Programme remains in effect or any Bonds shall be Outstanding, copies of the following documents may (when published) be inspected during normal business hours (in the case of Bearer Bonds) at the specified office of the Principal Paying Agent, (in the case of Registered Bonds) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Bond Trustee and in respect of items (ii) to (iv), (xiii) and (xvi), on the Issuer's website (https://www.keldagroup.com/) and in respect of item (xii), from the website of the Regulatory News Service operated by the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html:

(i) the Memorandum and Articles of Association of the Issuer and the other Obligors;

(ii) the annual audited financial statements of YWS, YWSF, YWH and the Issuer for the year ended 31 March 2024;

(iii) the annual audited financial statements of YWS, YWSF, YWH and the Issuer for the year ended 31 March 2025;

(iv) a copy of this Prospectus;

(v) a copy of the Prospectus dated 29 August 2024;

(vi) a copy of the Prospectus dated 14 February 2023;

(vii) a copy of the Prospectus dated 16 April 2021;

(viii) a copy of the Prospectus dated 30 January 2019;

(ix) a copy of the Prospectus dated 26 September 2012;

(x) a copy of the Prospectus dated 2 August 2011;

(xi) a copy of the Prospectus dated 24 July 2009;

(xii) any Final Terms or Drawdown Prospectus relating to Bonds which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. (In the case of any Bonds which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms or Drawdown Prospectus will only be available for inspection by the relevant Bondholders);

(xiii) each Investors' Report;

(xiv) each Financial Guarantee and all related endorsements relating to each Sub-Class of Wrapped Bonds issued under the Programme;

(xv) each G&R Deed;

(xvi) the Bond Trust Deed; and

(xvii) the Agency Agreement.

Clearing Systems

The Bonds will be accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code, ISIN, FISN and CFI for each Sub-Class of Bonds to be allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms or Drawdown Prospectus. If the Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Final Terms or Drawdown Prospectus.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms or Drawdown Prospectus.

Significant or Material Change

The latest financial position of the Issuer, YWS and YWSF are set out in their most recent Financial Statements. YWH has no significant assets other than the shares in its wholly owned subsidiary, YWS. The latest financial position of YWH is set out in its most recent Financial Statements.

There has been no material adverse change in the financial position nor any material adverse change in the prospects of the Issuer since the date of its last published audited annual financial statements, being 31 March 2025.

There has been no material adverse change in the prospects of YWS since the date of its last published audited annual financial statements, being 31 March 2025.

There has been no material adverse change in the prospects of YWSF since the date of its last published audited annual financial statements, being 31 March 2025.

There has been no material adverse change in the prospects of YWH since the date of its last published audited annual financial statements, being 31 March 2025.

There has been no significant change in the financial performance of the YW Financing Group since the end of the last financial period for which financial information has been published, being the financial period ended 31 March 2025, to the date of this Prospectus.

There has been no significant change in the financial performance of YWS or its subsidiaries (which consist of the Issuer and YWSF) since the end of the last financial period for which financial information has been published, being the financial period ended 31 March 2025, to the date of this Prospectus.

There has been no significant change in the financial performance of YWSF since the end of the last financial period for which financial information has been published, being the financial period ended 31 March 2025, to the date of this Prospectus

There has been no significant change in the financial position of the YW Financing Group which has occurred since the end of the last financial period for which either audited financial information or interim financial information has been published, being the financial period ended 31 March 2025.

There has been no significant change in the financial position of the YWS or its subsidiaries (which consist of the Issuer and YWSF) which has occurred since the end of the last financial period for which either audited financial information or interim financial information has been published, being the financial period ended 31 March 2025.

There has been no significant change in the financial position of the YWSF which has occurred since the end of the last financial period for which either audited financial information or interim financial information has been published, being the financial period ended 31 March 2025.

Litigation

Save as disclosed in the section titled "*Litigation*" in Chapter 5 "*Description of the YW Financing Group*", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which YWS is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of YWS and its subsidiaries (being the Issuer and YWSF).

Save as disclosed in the section titled "*Litigation*" in Chapter 5 "*Description of the YW Financing Group*", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer.

Save as disclosed in the section titled "*Litigation*" in Chapter 5 "*Description of the YW Financing Group*", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which YWH is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of YWH, its subsidiary (being YWS) and YWS's subsidiaries (being the Issuer and YWSF).

Save as disclosed in the section titled "*Litigation*" in Chapter 5 "*Description of the YW Financing Group*", there are no governmental, legal or arbitration proceedings (including any such proceedings

which are pending or threatened of which YWSF is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of YWSF.

Availability of Financial Statements

The audited annual financial statements of YWS, YWSF, YWH and the Issuer are prepared as at 31 March in each year.

No interim financial statements will be prepared for YWH, but each of the Issuer, YWS and YWSF publish semi-annual unaudited financial statements. As at the date of this Prospectus, YWH and YWS are exempt from providing consolidated financial statements by virtue of s400 of the Companies Act. The unaudited interim financial statements of the Issuer, YWS and YWSF are prepared as at 30 September in each year. All future audited annual financial statements (and any published interim financial statements) of each of the Issuer, YWS, YWSF, and YWH will be available free of charge in accordance with "*Documents Available*" above.

Auditors

The Auditor of YWS, YWH, YWSF and the Issuer is Deloitte LLP, of 1 City Square, Leeds, LS1 2AL. Deloitte LLP is registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales.

The statutory audited accounts of YWS have been prepared in accordance with generally accepted accounting standards in the United Kingdom, including FRS 102, for the year ended 31 March 2025; the statutory audited accounts of YWH and YWSF have been prepared in accordance with generally accepted accounting standards in the United Kingdom, including FRS 101 "Reduced Disclosure Framework", for the year ended 31 March 2025; and in each case the Auditor has given unmodified reports which contained no statement under section 498(2) or (3) of the Companies Act. The audited accounts of YWS, YWH and YWSF have been delivered to the Registrar of Companies.

Bond Trustee's reliance on reports and legal opinions

Certain of the reports of experts to be provided in connection with the Programme and/or the issue of Bonds thereunder may be provided on terms whereby they contain a limit on the liability of such accountants or other experts. The Bond Trustee will not necessarily be an addressee to such reports.

Under the terms of the Programme, the Bond Trustee will not necessarily receive a legal opinion in connection with each issue of Bonds.

Legend

Global Bonds and Definitive Bearer Bonds having a maturity of more than one year and any Receipts, Talons and Coupons appertaining thereto where the relevant Final Terms specify that the TEFRA D Rules apply will bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds such Bond, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bond, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Enforceability of Judgments

The Issuer is a company organised under the laws of the UK. None of the directors and executive officers of the Issuer are residents of the United States, and all or a substantial portion of the assets of the Issuer and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

Information in respect of the Bonds

The Issue Price and the amount of the relevant Bonds will be determined, before filing of relevant Final Terms or Drawdown Prospectus of each Tranche, based on then prevailing market conditions. The Issuer does not intend to provide any post-issuance *information* in relation to any issues of Bonds; however, see the requirement to deliver an Investors' Report in accordance with the Common Terms Agreement as described in Chapter 7 "*Overview of the Financing Agreements*" under "*Common Terms Agreement*".

The Arranger, Dealers and Affiliates

Certain of the Arranger, Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Arranger, Dealers and their affiliates may have positions, deal or make markets in the Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. Certain of the Dealers may from time to time also enter into swap and other derivative transactions with the Issuer and its affiliates.

In addition, in the ordinary course of their business activities, the Arranger, Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Arranger, Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Arranger, Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds issued under the Programme. Any such positions could adversely affect future trading prices of Bonds issued under the Programme or whether a specified barrier or level is reached. The Arranger, 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.

Websites

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*" above), 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.

Third party information

Third party information referred to in the sections entitled "*Risk Factors*", "*Description of the YW Financing Group*", "*Regulation of the water and wastewater industry in England and Wales*" and "*Description of Hedge Counterparties*" has been accurately reproduced and as far as the Issuer and each Obligor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Material Contracts

None of YWS, YWSF, YWH nor the Issuer has entered into contracts outside the ordinary course of its business, which could result in YWS, YWSF, YWH or the Issuer or any member of its group being under an obligation or entitlement that is material to the ability of YWS to meet its obligation to the Issuer under the Issuer/YWS Loan Agreements.

GLOSSARY OF DEFINED TERMS

The defined terms used in this Prospectus and set out in this Glossary are disclosed on a conformed basis to reflect the Master Definitions Agreement. While the defined terms used in this Prospectus and set out in this Glossary reflect the Master Definitions Agreement, including any rules of interpretation or construction included in the Master Definitions Agreement, the terms of the definitions actually used in the Master Definitions Agreement may be different. Where the context permits, references to "Exchange Issuer" and "Programme Issuer" shall be to the Issuer.

The Bondholders and other Secured Creditors are reminded that the defined terms in the Master Definitions Agreement govern and apply, not the conformed defined terms used in this Prospectus and set out in this Glossary, which are for disclosure purposes only.

A copy of the Master Definitions Agreement is available for inspection during normal business hours at the specified offices of the Bond Trustee and the Principal Paying Agent (in the case of bearer Bonds) or the specified offices of the Transfer Agents and the Registrar (in the case of registered Bonds).

The following terms are used throughout this Prospectus:

"**2018 Reorganisation**" means the removal of Yorkshire Water Services Bradford Finance Limited, Yorkshire Water Services Odsal Finance Limited, Yorkshire Water Services Odsal Finance Holdings Limited from the YW Financing Group.

"**Acceleration of Liabilities**" or "**Acceleration**" means an acceleration of any Secured Liabilities or termination of a commitment (or equivalent action) (excluding the taking of any Independent Enforcement Action) including:

(a) the delivery of a termination notice from a Finance Lessor or YWS terminating the leasing of Equipment under a Finance Lease;

(b) the delivery of a notice by YWS or a Finance Lessor requesting the prepayment of any Rentals under a Finance Lease;

(c) the early termination of any hedging obligations (whether by reason of an event of default, termination event or other right of early termination) under a Hedging Agreement; or

(d) the taking of any other steps to recover any payment due in respect of any Secured Liabilities, which have matured for repayment and are overdue, by a Secured Creditor or Secured Creditors, pursuant to the terms of the applicable Finance Document or, as the case may be, Non-Participating YWSF Bonds and in accordance with the STID,

and "**acceleration**" and "**accelerate**" will be construed accordingly.

"**Accession Memorandum**" means: (a) with respect to the STID, each memorandum to be entered into pursuant to Clause 2 (*Accession*) or Clause 19 (*Benefit of Deed*) (as applicable) of the STID; (b), with respect to the Bond Trust Deed, a memorandum in substantially the form set out in: (i) Schedule 5 (*Form of Accession Memorandum - Financial Guarantor*) to the Bond Trust Deed, pursuant to which a Financial Guarantor accedes to the Bond Trust Deed; or (ii) Schedule 6 (*Form of Accession Memorandum - Guarantor*) to the Bond Trust Deed pursuant to which a Guarantor accedes to the Bond Trust Deed; (c) with respect to the Agency Agreement, a memorandum in substantially the form set out in Schedule 3 (*Form of Accession Memorandum*) to the Agency Agreement pursuant to which a Guarantor accedes to the Agency Agreement; (d) with respect to the Tax Deed of Covenant, a memorandum in substantially the form set out in the Schedule (*Form of Accession Memorandum*) to the Tax Deed of Covenant pursuant to which a Permitted Subsidiary accedes to the Tax Deed of

Covenant; (e) with respect to the Dealership Agreement, a memorandum in substantially the form set out in Schedule 3 (*Form of Accession Memorandum*) to the Dealership Agreement, pursuant to which a Permitted Subsidiary accedes to the Dealership Agreement; and (f) with respect to the Account Bank Agreement, a memorandum in substantially the form set out in Schedule 2 (*Form of Accession Memorandum*) to the Account Bank Agreement pursuant to which a Permitted Subsidiary accedes to the Account Bank Agreement.

"**Account**" means any bank account of any Obligor.

"**Account Bank**" means National Westminster Bank plc or any successor account bank appointed pursuant to the Account Bank Agreement.

"**Account Bank Agreement**" means the account bank agreement dated on the Closing Date between, among others, the Obligors, the Standstill Cash Manager, the Account Bank and the Security Trustee, and to which the Issuer has acceded.

"**Acquisition Term Facility**" means the £789,000,000 senior term loan facility made available to YWS under the Senior Facilities Agreement.

"**Addendum**" means any deed of amendment dated the Closing Date between certain Finance Lessors and YWS in respect of the Finance Leases entered into on or prior to the Initial Issue Date.

"**Additional Secured Creditor**" means any person not already a Secured Creditor which becomes a Secured Creditor pursuant to the accession provisions of the STID.

"**Adjusted Lease Reserve Amount**" means, in respect of any Finance Lease and from the commencement of a Standstill in any Test Period commencing on 1 April in any year, the relevant portion of the Annual Finance Charge for such Test Period or, as the case may be, the Pre-Test Period relating to such Finance Lease as calculated pursuant to paragraph 9.11 of Schedule 11 (*Cash Management*) of the Common Terms Agreement or, where paragraph 8 (*Lease Calculation Cashflow*) of Part 1 of Schedule 12 (*Provisions Relating to Finance Leases*) to the Common Terms Agreement applies, as calculated pursuant to such paragraph 8.

"**Adoption of Private Sewers**" means any Capital Expenditure incurred or to be incurred by YWS as a result of the adoption of private sewers into the public sewerage network.

"**Affiliate**" means a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company (other than in any Hedging Agreement when used in relation to a Hedge Counterparty, where "Affiliate" has the meaning given to it in that Hedging Agreement).

"**Agency Agreement**" means the agreement originally dated on the Closing Date (as amended, supplemented, restated and/or novated from time to time) between, among others, YWS and the Agents referred to therein, under which, amongst other things, the Principal Paying Agent is appointed as issuing agent, principal paying agent and agent bank for the purposes of the Programme and to which the Issuer has acceded as issuer.

"**Agent**" means the Agent Bank, the Principal Paying Agent, the Registrar, the Transfer Agent and any Paying Agent or any other agent appointed by the Issuer pursuant to the Agency Agreement or Calculation Agency Agreement.

"**Agent Bank**" means Deutsche Bank AG, London Branch (or any successor thereto) in its capacity as agent bank under the Agency Agreement in respect of the Bonds.

"**AMP**" means an asset management plan submitted by YWS to Ofwat in respect of a five-year period and in this respect:

(a) "**AMP6**" means the asset management plan prepared for the AMP6 Period;

(b) "**AMP7**" means the asset management plan prepared for the AMP7 Period; and

(c) "**AMP8**" means the asset management plan prepared for the AMP8 Period.

"**AMP Period**" means a five-year period in relation to which an AMP is submitted by YWS to Ofwat and in this respect;

(a) "**AMP6 Period**" means the AMP Period commencing on 1 April 2015;

(b) "**AMP7 Period**" means the AMP Period commencing on 1 April 2020; and

(c) "**AMP8 Period**" means the AMP Period commencing on 1 April 2025.

"**Ancillary Documents**" means the valuations, reports, legal opinions, tax opinions, accountants' reports and the like addressed to or given for the benefit of the Security Trustee, any Obligor or any Secured Creditor in respect of the Security Assets.

"**Annual Finance Charge**" means, in respect of the Pre-Test Period and thereafter in respect of each 12 month period commencing 1 April in any subsequent year, the aggregate of all interest (or amounts in the nature of interest (including, but not limited to, lease rentals and hedge payments) due or to become due (after taking account of the impact on interest rates of any Hedging Agreements then in place) during that Pre-Test Period or 12 month period on the Class A Debt and the Class B Debt (including, for the avoidance of doubt, all interest due on the Class B Debt but not yet payable as a result of the restrictions imposed on the payment of that indebtedness contained in the Finance Documents), all Financial Guarantee Fees payable to any Financial Guarantor within that Pre-Test Period or 12 month period, all fees and commissions payable to each Finance Party within that Pre-Test Period or 12 month period and the Lease Reserve Amounts or, during a Standstill Period, the Adjusted Lease Reserve Amounts falling due in that Pre-Test Period or 12 month period, excluding all indexation of principal, all costs incurred in raising such debt, amortisation of the costs of issue of such debt in that Pre-Test Period or Test Period and all other costs incurred in connection with the raising of such debt less all interest received or in respect of forward-looking ratios, receivable by any member of the YW Financing Group from a third party during such period (excluding interest received or receivable under the Intra-Group Loans or any loan or other forms of Financial Indebtedness to Affiliates).

"**Applicable Accounting Principles**" means accounting principles, standards and practices generally accepted in the United Kingdom as applied from time to time and making such adjustments (if any) as the Auditor may consider appropriate arising out of changes to applicable accounting principles or otherwise from time to time.

"**Appointed Business**" means the appointed business of a "relevant undertaker" (as that term is defined by Section 219 of the WIA).

"**Appointee**" means any attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Bond Trustee under the Bond Trust Deed.

"**Arranger**" means NatWest Markets Plc.

"**Associate**" means:

(a) any person who has a Controlling interest in any member of the YW Financing Group; or

(b) any person who is Controlled by a member of the YW Financing Group,

and, in each case, any Affiliate of such person.

"**Auditor**" means Deloitte LLP or such other firm of accountants of international repute as may be appointed by YWS in accordance with the Common Terms Agreement as the statutory auditor for the YW Financing Group.

"**Authorised Credit Facilities**" means any facility or agreement entered into by the Issuer, YWS or YWSF for Class A Debt or Class B Debt as permitted by the terms of the Common Terms Agreement or for the issue of Financial Guarantees in relation thereto, the providers of which are parties to, or have acceded to, the STID and the Common Terms Agreement, and includes, without limitation, the Liquidity Facilities, the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements, the YWSF/YWS Loan Agreements, the Existing Authorised Credit Facilities, the Bond Trust Deed, the Participating YWSF Bond Trust Deed, the Bonds, the Participating YWSF Bonds, the Finance Leases, the Hedging Agreements, the Financial Guarantee Fee Letters, the G&R Deeds and any other document entered into in connection with the foregoing facilities or agreements or the transactions contemplated in the foregoing facilities or agreements (excluding, however, the Dealership Agreement and the Common Agreements), and "**Authorised Credit Facility**" means any one of them.

"**Authorised Credit Provider**" means a lender or other provider of credit or financial accommodation under any Authorised Credit Facility and includes each Issuing Bank, each Financial Guarantor, for so long as any Financial Guarantee issued by that Financial Guarantor is outstanding, each Bondholder and each Participating YWSF Bondholder.

"**Authorised Investments**" means:

(a) securities issued by the Government;

(b) demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, **provided that** the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short-Term Rating;

(c) any other obligations **provided that** in each case the relevant investment has the Minimum Short-Term Rating and is either denominated in pounds sterling or (following the date on which the UK becomes a Participating Member State) euro or has been hedged in accordance with the Hedging Policy; or

(d) any money market funds or equivalent investments which have a rating of at least A- by S&P, A3 by Moody's and A-by Fitch; or

(e) any deposit made with the Account Bank.

"**Authorised Signatory**" means any person who is duly authorised by any Obligor or any Party and in respect of whom a certificate has been provided signed by a director of that Obligor or such Party setting out the name and signature of that person and confirming such person's authority to act.

"**Base Currency**" means pounds sterling.

"**Bearer Bonds**" means those of the Bonds which are in bearer form.

"**Bondholders**" means the holders from time to time of the Bonds.

"**Bonds**" means the Class A Bonds and/or the Class B Bonds, as the context may require, and "**Bond**" shall be construed accordingly.

"**Bond Certificate**" means either a Registered Global Bond or a Definitive Registered Bond, as the context may require.

"**Bond Trust Deed**" means the bond trust deed dated on the Closing Date as amended, supplemented, restated and/or novated from time to time, between, among others, the Issuer and the Bond Trustee, under which Bonds will, on issue, be constituted and any bond trust deed supplemental thereto.

"**Bond Trustee**" means Deutsche Trustee Company Limited or any successor trustee appointed pursuant to the Bond Trust Deed for and on behalf of the relevant Bondholders.

"**Business**" means Appointed Business and Permitted Non-Appointed Business or otherwise as permitted under the Finance Documents.

"**Business Day**" means (other than in any Hedging Agreement where "Business Day" has the meaning given to it in that Hedging Agreement):

(a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) Additional Business Centre specified in the relevant Final Terms or Drawdown Prospectus;

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the currency in which such financial indebtedness is denominated (which in the case of a payment in U.S. dollars shall be New York) and in each (if any) Additional Business Centre specified in the relevant Final Terms or Drawdown Prospectus; and

(c) in relation to the definition of Lease Calculation Date, a day on which commercial banks and foreign exchange markets settle payments generally in London.

"**Calculation Agency Agreement**" means, in relation to the Bonds of any Tranche, an agreement in or substantially in the form of Schedule 1 (*Form of Calculation Agency Agreement*) to the Agency Agreement.

"**Calculation Agent**" means, in relation to any Tranche of Bonds, the person appointed as calculation agent in relation to such Tranche of Bonds by the Issuer pursuant to the provisions of a Calculation Agency Agreement (or any other agreement) and shall include any successor calculation agent appointed in respect of such Tranche of Bonds.

"**Calculation Date**" means (other than in any Hedging Agreement where "Calculation Date" has the meaning given to it in that Hedging Agreement), 31 March and 30 September in each year starting on 30 September 2009 or any other calculation date agreed as a result of a change in the financial year end date of any Obligor.

"**Capex Contract**" means any agreement pursuant to which YWS outsources goods and services which are Capital Expenditure.

"**Capital Expenditure**" means Capital Maintenance Expenditure and any expenditure (net of associated grants and contributions) incurred (or, in respect of any future period, forecast to be incurred in the YWS Business Financial Model) relating to the acquisition of equipment, fixed assets, real property, intangible assets and other assets of a capital nature, or for the replacements or substitutions therefor or additions or improvements thereto, that in any such case have a useful life of more than one year together with costs incurred in connection therewith and **provided that** such expenditure is incurred in respect of maintenance non-infrastructure, infrastructure renewals expenditure or quality and supply-demand and other service enhancement expenditure.

"**Capital Maintenance Expenditure**" means expenditure (net of associated grants and contributions) incurred (or, in respect of any future period, forecast to be incurred in the YWS Business Financial

Model) on maintaining base service levels in the Appointed Business but excluding any expenditure relating to increases in capacity or enhancement of service levels, quality or security of supply.

"**Cash Cover Account**" means: (i) one or more cash cover accounts set up to provide cash cover (as defined in the Senior Facilities Agreement) in accordance with the terms of the Senior Facilities Agreement in the context of a Letter of Credit; and (ii) any other cash cover account set up in accordance with the terms of any other Authorised Credit Facility pursuant to which a letter of credit facility is provided.

"**Cash Expenses**" means the aggregate of all expenses including Capital Expenditure incurred by YWS in any period (excluding depreciation, IRC and interest on Financial Indebtedness).

"**Cash Manager**" means the Standstill Cash Manager during and after a Standstill Period (except where a Standstill Period is terminated pursuant to clause 13.4.1(c) (*Termination of Standstill)* of the STID), and at all other times YWS.

"**CCD**" means expenditure designated under the heading "*current cost depreciation*" in the financial projections contained in the supplementary report issued by Ofwat detailing the numbers and assumptions specific to YWS in Ofwat's most recent Final Determination adjusted as appropriate for any subsequent interim determination and for Out-turn Inflation, **provided that**, for the purposes of calculating any financial ratio for any Test Period where there is no Final Determination, the "**CCD**" shall be YWS's good faith estimate of such expenditure for such Test Period.

"**CC Water**" means the Consumer Council for Water.

"**CD Amounts**" means all amounts stated as payable for the account of out of the proceeds of Financial Indebtedness raised on the Closing Date which are stipulated to be applied in accordance with the Settlement and Acknowledgment Deed, including any amounts required to be paid in connection with the rolling of certain Hedging Agreements on or about the Closing Date in order to meet the requirements of the Hedging Policy.

"**Chargors**" means the Obligors which have granted security on the terms of and pursuant to the Security Agreement.

"**Class**" means: (i) in relation to the Bonds, each class of Bonds, the available classes of Bonds being Class A Wrapped Bonds, Class A Unwrapped Bonds, Class B Wrapped Bonds and Class B Unwrapped Bonds; (ii) in relation to the Participating YWSF Bonds, each tranche of Participating YWSF Bonds; and (iii) in relation to the Non-Participating YWSF Bonds, each tranche of Non-Participating YWSF Bonds.

"**Class A Adjusted ICR**" means, in respect of a Test Period, the ratio of Net Cash Flow less the aggregate of CCD and IRC during such Test Period to Class A Debt Interest during such Test Period.

"**Class A Average Adjusted ICR**" means the sum of the ratios of Net Cash Flow less the aggregate of CCD and IRC during such Test Period to Class A Debt Interest for each of the Test Periods comprised in a Rolling Average Period divided by three.

"**Class A Bonds**" means the Class A Wrapped Bonds and the Class A Unwrapped Bonds.

"**Class A Debt**" means any financial accommodation that is, for the purposes of the STID, to be treated as Class A Debt and includes:

(a) as at the Closing Date, all debt outstanding under:

(i) the Class A Unwrapped Bonds issued by Yorkshire Water Services Bradford Finance Limited (which has now been succeeded by the Issuer);

(ii) the Class A Unwrapped Bonds issued by Yorkshire Water Services Odsal Finance Limited (which has now been succeeded by the Issuer);

(iii) the Participating YWSF Bonds;

(iv) the Existing Authorised Credit Facilities;

(v) the Finance Leases entered into on or prior to the Initial Issue Date; and

(vi) certain Hedging Agreements; and

(b) following the Closing Date, all debt outstanding under paragraph (a) above and:

(i) any Non-Participating YWSF Bonds which become Participating YWSF Bonds following the Closing Date;

(ii) any Class A Wrapped Bonds issued by Yorkshire Water Services Bradford Finance Limited (which has been succeeded by the Issuer) following the Closing Date;

(iii) any Class A Unwrapped Bonds issued by Yorkshire Water Services Bradford Finance Limited (which has been succeeded by the Issuer) following the Closing Date;

(iv) any Hedging Agreements in respect of Class A Debt;

(v) any Financial Guarantee Fee Letter;

(vi) any G&R Deed in respect of Class A Wrapped Bonds;

(vii) any DSR Liquidity Facilities;

(viii) any O&M Reserve Facilities;

(ix) each Authorised Credit Facility designated as Class A Debt;

(x) each Finance Lease entered into after the Closing Date; and

(xi) any other financial accommodation that is, for the purposes of the STID, to be treated as Class A Debt.

"**Class A Debt Interest**" means, in relation to any Test Period, and without double counting, an amount equal to the aggregate of:

(a) all interest and recurring fees or commissions paid, due but unpaid or, in respect of forward-looking ratios, payable, on the YW Financing Group's obligations under or in connection with all Class A Debt, any Permitted Financial Indebtedness which is unsecured and all Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds);

(b) all fees paid, due but unpaid or, in respect of forward-looking ratios, payable, to any Financial Guarantor of Class A Wrapped Bonds or YWSF Wrapped Bonds; and

(c) Adjusted Lease Reserve Amounts or Lease Reserve Amounts paid, due but unpaid or, in respect of forward-looking ratios, payable, on the YW Financing Group's obligations under and in connection with all Class A Debt,

in each case during such Test Period (after taking account of the impact on interest rates of all related Hedging Agreements then in force (excluding, for the purposes of calculating the Class A Adjusted ICR, the Conformed Class A Adjusted ICR, the Re-profiled Class A Adjusted ICR, the Class A Average Adjusted ICR, the Conformed Class A Average Adjusted ICR and the Re-profiled Class A Average Adjusted ICR only in respect of any forward looking element of a Test Period, in respect of any Type 2 Hedging Agreement, the impact on interest rates of such Type 2 Hedging Agreement)) (excluding

all indexation of principal, amortisation of the costs of issue of any Class A Debt or Non-Participating YWSF Bonds within such Test Period and all other costs incurred in connection with the raising of such Class A Debt or issue of Non-Participating YWSF Bonds) less all interest received or in respect of forward-looking ratios receivable by any member of the YW Financing Group from a third party during such period (excluding any interest received or receivable by YWS under any Intra-Group Loan or any loan or other forms of Financial Indebtedness to Affiliates).

"**Class A Debt Provider**" means a provider of, or Financial Guarantor of, Class A Debt.

"**Class A Debt Service Reserve Account**" means the accounts of each of the Issuer and YWSF titled "Class A Debt Service Reserve Account" held at the Account Bank and includes any sub-account relating to that account and any replacement from time to time.

"**Class A DIG**" means a group of representatives (each, a "**Class A DIG Representative**") of Qualifying Class A Debt Providers in respect of Qualifying Class A Debt comprising:

(a) in respect of each Sub-Class of Class A Wrapped Bonds and the YWSF Wrapped Bonds (if no FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Wrapped Bonds or, as the case may be, the YWSF Wrapped Bonds), the Financial Guarantor of such Sub-Class of Class A Wrapped Bonds or, as the case may be, the YWSF Wrapped Bonds;

(b) in respect of each Sub-Class of Class A Wrapped Bonds and the YWSF Wrapped Bonds (after an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Wrapped Bonds or, as the case may be, the YWSF Wrapped Bonds) and each Sub-Class of Class A Unwrapped Bonds and each Class of YWSF Unwrapped Bonds, the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee, (**provided that**, unless:

    (i) a Default Situation has occurred and is continuing (other than in respect of a STID Matter the subject of an Emergency Instruction Notice); or

    (ii) such proposal is the subject of an Entrenched Right or a Reserved Matter of the Class A Bondholders or, as the case may be, the Participating YWSF Bondholders,

    the Class A Wrapped Bondholders (in respect of each such Sub-Class or Class of Class A Wrapped Bonds), the Participating YWSF Bondholders (in respect of such YWSF Wrapped Bonds), the Class A Unwrapped Bondholders (in respect of each Sub-Class of Class A Unwrapped Bonds) or, as the case may be, the Participating YWSF Bondholders (in respect of each Class of YWSF Unwrapped Bonds), shall each be entitled to participate directly in the Class A DIG and direct the Bond Trustee or, as the case may be, the Participating YWSF Bond Trustee to vote in respect of any STID Direct Voting Matters through the clearing system voting mechanics as described in Chapter 7 "*Overview of the Financing Agreements*" under "*Security Trust and Intercreditor Deed – Bondholder Voting*");

(c) (in respect of a Non-Participating YWSF Bond Voting Matter only) in respect of each Class of Non-Participating YWSF Bonds, the Non-Participating YWSF Bond Trustee, **provided that**:

    (i) the Non-Participating YWSF Bond Trustee and the Non-Participating YWSF Bondholders of a Class of Non-Participating YWSF Bonds in relation to which a Non-Participating YWSF Bond Refusal Date has occurred shall have no entitlement to vote or direct the Security Trustee under the STID on any matter (including a Non-Participating YWSF Bond Voting Matter) following such date and, accordingly, shall not form part of the Class A DIG;

(ii) the Non-Participating YWSF Bond Trustee and the Non-Participating YWSF Bondholders of a Class of Non-Participating YWSF Bonds in relation to which no Non-Participating YWSF Bond Refusal Date has occurred shall have no entitlement to vote on or direct the Security Trustee in relation to any matter under the STID other than a Non-Participating YWSF Bond Voting Matter, a Non-Participating YWSF Bond Entrenched Right or a Non-Participating YWSF Bond Reserved Matter and, accordingly, shall not form part of the Class A DIG for such matters; and

(iii) (subject at all times to the other provisos contained in this paragraph (iii)), unless

(A) a Default Situation has occurred and is continuing (other than in respect of a STID Matter the subject of an Emergency Instruction Notice); or

(B) such proposal is the subject of an Entrenched Right or a Reserved Matter of the Non-Participating YWSF Bondholders,

the Non-Participating YWSF Bondholders (in respect of each Class of Non-Participating YWSF Bonds), shall each be entitled to participate directly in the Class A DIG and direct the Non-Participating YWSF Bond Trustee to vote in respect of any STID Direct Voting Matters (to the extent that such STID Direct Voting Matters are in respect of Non-Participating YWSF Bond Voting Matters) through the clearing system voting mechanics as described in Chapter 7 "*Overview of the Financing Agreements*" under "*Security Trust and Intercreditor Deed – Bondholder Voting*");

(d) in respect of the Existing Authorised Credit Facilities, the relevant Existing Authorised Credit Provider;

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

(f) in respect of any other Secured Liabilities of the type referred to in paragraphs (a) to (e) above or (with the approval of the Majority Creditors) other types of Secured Liabilities that rank *pari passu* with all other Class A Debt, the relevant representative appointed under the terms of the relevant Finance Document and named in the relevant Accession Memorandum as the Class A DIG Representative,

each of which provides an appropriate indemnity to the Security Trustee each time it votes irrespective of whether it is a Majority Creditor.

"**Class A ICR**" means the ratio of Net Cash Flow for each Test Period to Class A Debt Interest for each of the same Test Periods.

"**Class A Net Indebtedness**" means, as at any date, the aggregate of the YW Financing Group's nominal Financial Indebtedness outstanding (or, in respect of a future date, forecast to be outstanding) on such date:

(a) under and in connection with any Class A Debt:

(i) including accretions by indexation to the notional amount under any RPI Linked Hedging Agreement; and

(ii) excluding any un-crystallised mark to market amount relating to any Hedging Agreement; and

(b) pursuant to paragraphs (f) and (g) of the definition of Permitted Financial Indebtedness (excluding the Exchanged YWSF Bonds),

in each case, together with all indexation accrued on any such liabilities which are indexed,

less:

(a) the value of all Authorised Investments and other amounts standing to the credit of any Account (other than any Excluded Accounts and other than an amount equal to the aggregate of any amounts which represent Deferrals of K or Distributions which have been declared but not paid on such date),

provided that, where such debt is denominated other than in Sterling, the nominal amount outstanding will be calculated: (i) in respect of debt with an associated Currency Hedging Agreement, by reference to the applicable hedge rates specified in the relevant Currency Hedging Agreement; or (ii) in respect of debt with no associated Currency Hedging Agreement, by reference to the Exchange Rate on such date.

"**Class A RAR**" means, on any Calculation Date, the ratio of Class A Net Indebtedness to RCV at such Calculation Date or, in the case of any forward-looking ratios for Test Periods ending after such Calculation Date, as at the 31 March falling in such Test Period.

"**Class A Required Balance**" means:

(a) if the Senior RAR as calculated at the most recently occurring Calculation Date for each Test Period (taking into account the incurrence of any Financial Indebtedness pursuant to paragraph (1) of the definition of Permitted Financial Indebtedness following such Calculation Date) is equal to or less than 67.5 per cent., zero; and

(b) if the Senior RAR as calculated at the most recently occurring Calculation Date for any Test Period (taking into account the incurrence of any Financial Indebtedness pursuant to paragraph (1) of the definition of Permitted Financial Indebtedness following such Calculation Date) is greater than 67.5 per cent., an amount equal to the next 12 months' interest (including Lease Reserve Amounts and Adjusted Lease Reserve Amounts) and other finance charges (falling within the definition of Class A Debt Interest) forecast to be due on the Class A Debt of the YW Financing Group, after taking into account anticipated real flow receipts under any Hedging Agreement then in place in respect of any Class A Debt.

"**Class A Unwrapped Bonds**" means the Class A Bonds that do not have the benefit of a Financial Guarantee.

"**Class A Unwrapped Debt**" means the Class A Debt that does not have the benefit of a Financial Guarantee which includes the Class A Unwrapped Bonds and the YWSF Unwrapped Bonds.

"**Class A Wrapped Bondholder**" means the holder of a Class A Wrapped Bond.

"**Class A Wrapped Bonds**" means the Class A Bonds that have the benefit of a Financial Guarantee.

"**Class B Bonds**" means the Class B Wrapped Bonds and the Class B Unwrapped Bonds.

"**Class B Debt**" means any financial accommodation that is, for the purposes of the STID, to be treated as Class B Debt and includes all debt outstanding under: (a) the Class B Wrapped Bonds and the Class B Unwrapped Bonds issued by Yorkshire Water Services Bradford Finance Limited (which has been succeeded by the Issuer) after the Closing Date; and (b) the G&R Deed in respect of the Class B Wrapped Bonds.

"**Class B Debt Provider**" means a provider of, or Financial Guarantor of, Class B Debt.

"**Class B Debt Service Reserve Account**" means any account of the Issuer titled "Class B Debt Service Reserve Account" held at the Account Bank and includes any sub-account relating to that account and any replacement from time to time.

"**Class B DIG**" means a group of representatives (each a "**Class B DIG Representative**") of Qualifying Class B Debt Providers in respect of Qualifying Class B Debt, comprising:

(a) in respect of each Sub-Class of Class B Wrapped Bonds (if no FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Wrapped Bonds), the Financial Guarantor of such Sub-Class of Class B Wrapped Bonds;

(b) in respect of each Sub-Class of Class B Wrapped Bonds (after an FG Event of Default, has occurred and is continuing in respect of the relevant Financial Guarantor) and each Sub-Class of Class B Unwrapped Bonds, the Bond Trustee (**provided that**, unless:

(i) a Default Situation has occurred and is continuing (other than in respect of a STID Matter the subject of an Emergency Instruction Notice); or

(ii) such proposal is the subject of an Entrenched Right or a Reserved Matter of the Class B Bondholders,

the Class B Wrapped Bondholders (in respect of each such Sub-Class or Class of Class B Wrapped Bonds) or the Class B Unwrapped Bondholders (in respect of each Sub-Class of Class B Unwrapped Bonds) shall each be entitled to participate directly in the Class B DIG and direct the Bond Trustee to vote in respect of any STID Direct Voting Matters through the clearing system voting mechanics described in Chapter 7 "*Overview of the Financing Agreements – Security Trust and Intercreditor Deed – Bondholder Voting*" above); and

(c) in respect of any other Secured Liabilities of the type referred to in paragraphs (a) and (b) above or (with the approval of the Majority Creditors) other types of Secured Liabilities that rank *pari passu* with all other Class B Debt, the relevant representative appointed under the terms of the relevant Finance Document and named in relevant Accession Memorandum, as the Class B DIG Representative,

each of which provides an appropriate indemnity to the Security Trustee each time it votes irrespective of whether it is a Majority Creditor.

"**Class B Required Balance**" means, on any Payment Date, an amount equal to the next 12 months' interest (including Lease Reserve Amounts and Adjusted Lease Reserve Amounts) and other finance charges (falling within the definition of Senior Debt Interest and relating to Class B Debt) forecast to be due on the Class B Debt of the YW Financing Group after taking into account the anticipated real flow receipts under any Hedging Agreement then in place in respect of any Class B Debt.

"**Class B Unwrapped Bonds**" means the Class B Bonds that do not have the benefit of a Financial Guarantee.

"**Class B Unwrapped Debt**" means the Class B Debt that does not have the benefit of a Financial Guarantee, which includes the Class B Unwrapped Bonds.

"**Class B Wrapped Bondholder**" means the holder of a Class A Wrapped Bond.

"**Class B Wrapped Bonds**" means the Class B Bonds that have the benefit of a Financial Guarantee.

"**Clearstream, Luxembourg**" means Clearstream Banking, SA.

"**Closing Date**" means 24 July 2009.

"**Common Agreements**" means any Security Document, the Bond Trust Deed, the Common Terms Agreement, the Master Definitions Agreement, the Account Bank Agreement, the CP Agreement, the Tax Deed of Covenant, the Calculation Agency Agreement and any Finance Document to which no Secured Creditor other than the Security Trustee and/or the Issuer and/or any Agent is a party.

"**Common Terms Agreement**" means the common terms agreement entered into on the Closing Date (as amended, supplemented or restated from time to time) between, among others, the Obligors, the Finance Lessors and the Security Trustee, and which contains certain representations and covenants of the Obligors and Events of Default, and to which the Issuer has acceded.

"**Companies Act**" means the Companies Act 1985 and, where applicable, the Companies Act 2006 (including the Companies Act 1985 or the Companies Act 2006, as applicable, as it applies to limited liability partnerships) and any regulations made pursuant to those Acts.

"**Compensation Account**" means the account of YWS entitled the "Compensation Account" held at the Account Bank and includes any sub account relating to that account and any replacement account from time to time.

"**Competition Act**" means the United Kingdom Competition Act 1998.

"**Compliance Certificate**" means a certificate, substantially in the form of Schedule 9 (*Form of Compliance Certificate*) of the Common Terms Agreement in which each of the Issuer, YWSF and YWS, periodically, provides certain financial statements to the Security Trustee and each Rating Agency as required by the Common Terms Agreement.

"**Conditions**" means the terms and conditions of the Bonds set out in the Bond Trust Deed as may from time to time be amended, modified, varied or supplemented in the manner permitted under the STID.

"**Conformed Class A Adjusted ICR**" means, in respect of a Test Period, the ratio of:

(a) Net Cash Flow less:

(i) Depreciation;

(ii) IRE not already deducted in the calculation of Net Cash Flow or Depreciation; and

(iii) (Fast/Slow Adjustment,

during such Test Period in each case without double-counting; to

(b) (Class A Debt Interest during such Test Period.

"**Conformed Class A Average Adjusted ICR**" means the sum of:

(a) the ratios of:

(i) Net Cash Flow less:

(A) Depreciation;

(B) IRE not already deducted in the calculation of Net Cash Flow or Depreciation; and

(C) Fast/Slow Adjustment,

in each case without double-counting; to

(ii) Class A Debt Interest,

for each of the Test Periods comprised in a Rolling Average Period,

(b) divided by three.

"**Conformed Senior Adjusted ICR**" means, in respect of a Test Period, the ratio of:

(a) Net Cash Flow less:

(i) Depreciation;

(ii) IRE not already deducted in the calculation of Net Cash Flow or Depreciation; and

(iii) Fast/Slow Adjustment,

during such Test Period in each case without double-counting; to

(b) Senior Debt Interest during such Test Period.

"**Conformed Senior Average Adjusted ICR**" means the sum of:

(a) the ratios of:

(i) Net Cash Flow less:

(A) Depreciation;

(B) IRE not already deducted in the calculation of Net Cash Flow or Depreciation; and

(C) Fast/Slow Adjustment,

in each case without double-counting; to

(ii) Senior Debt Interest,

for each of the Test Periods comprised in a Rolling Average Period,

(b) divided by three.

"**Construction Output Price Index**" means the index issued by the Department for Business, Enterprise and Regulatory Reform (or any successor thereto), varied from time to time, relating to price levels of new build construction based on a combination of logged values of tender price indices, labour and materials cost indices and on the value of new construction orders in the United Kingdom.

"**Contracting Secured Creditor**" means a Ring-fenced Secured Creditor (other than the Security Trustee) party to an Authorised Credit Facility.

"**Contractor**" means any person (being either a single entity, consortium or joint venture) that is a counterparty to an Outsourcing Agreement or Capex Contract.

"**Control**" of one person by another person means (other than in the Tax Deed of Covenant where it has the meaning defined therein) that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise and whether acting alone or in concert with another or others) has the power to appoint and/or remove the majority of the members of the governing body of that person or otherwise controls or has the power to control the affairs and policies of that person (and references to "**Controlled**" and "**Controlling**" shall be construed accordingly).

"**Coupon**" means an interest coupon appertaining to a Definitive Bearer Bond and includes, where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 14 "*Replacement of Bonds, Coupons, Receipts and Talons*".

"**Couponholders**" means the several persons who are for the time being holders of the Coupons and includes, where applicable, the Talonholders.

"**Court**" means the High Court of England and Wales.

"**CP Agreement**" means the conditions precedent agreement, dated 15 July 2009 between, among others, the Bond Trustee, the Security Trustee and the Obligors.

"**CPIH**" means the CPI including owner occupiers' housing costs which is provided by the Office for National Statistics, or the relevant successor index.

"**Currency Hedging Agreement**" means any Hedging Agreement with a Hedge Counterparty in respect of one or more Hedging Transactions to hedge against exposure to currency exchange rates.

"**Date Prior**" means, at any time, the date which is one day before the next Periodic Review Effective Date.

"**Dealers**" means Bank of China Limited, London Branch, Barclays Bank PLC, BNP PARIBAS, Lloyds Bank Corporate Markets plc, National Australia Bank Limited (ABN 12 004 044 937), NatWest Markets Plc, MUFG Securities EMEA plc, RBC Europe Limited, SMBC Bank International plc, together with any other dealer appointed from time to time by the Issuer and the other Guarantors pursuant to the Dealership Agreement and references to a "**relevant Dealer**" or the "**relevant Dealer(s)**" mean, in relation to any Tranche of Bonds, the Dealer or Dealers with whom the Issuer has agreed the issue of the Bonds of such Tranche and "**Dealer**" means any one of them.

"**Dealership Agreement**" means the agreement originally dated 15 July 2009 as amended, supplemented, restated and/or novated from time to time, between the Issuer, the other Obligors and the Dealers named therein (or deemed named therein) concerning the purchase of Bonds to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto.

"**Debt Service Payment Account**" means the account of YWS entitled the "Debt Service Payment Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time.

"**Debt Service Reserve Account**" means each of the Class A Debt Service Reserve Accounts and the Class B Debt Service Reserve Accounts.

"**Default**" means: (a) an Event of Default; (b) a Trigger Event; or (c) a Potential Event of Default.

"**Default Situation**" means any period during which there subsists an Event of Default.

"**Deferral of K**" means, in respect of any Financial Year, an amount equal to the difference between the total revenue that is projected by YWS to be raised during such Financial Year on the basis of the announced charges and the revenue that would have accrued if YWS had established prices at the full price cap available to it under the Instrument of Appointment.

"**Definitive Bearer Bond**" means a Bearer Bond in definitive form issued or, as the case may require, to be issued by the Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Bond Trust Deed in exchange for either a Temporary Global Bond or part thereof or a Permanent Global Bond (all as indicated in the applicable Final Terms or Drawdown Prospectus), such Bearer Bond in definitive form being in the form or substantially in the form set out in Schedule 2 (*Forms of Global and Definitive Bearer Bonds, Receipts, Coupons and Talons*), Part C (*Form of Definitive Bearer Bond*) to the Bond Trust Deed and having the Conditions endorsed thereon and having the relevant information supplementing the Conditions appearing in the applicable Final Terms or Drawdown Prospectus endorsed thereon or attached thereto and having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue.

"**Definitive Registered Bond**" means a Registered Bond in definitive form issued or to be issued by the Issuer in accordance with the provisions of the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s), the Agency Agreement and the Bond Trust Deed either on issue or in exchange for a Registered Global Bond or part thereof (all as indicated in the applicable Final Terms or Drawdown Prospectus), such Registered Bond in definitive form being in the form or substantially in the form set out in Schedule 3 to the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference as indicated in the applicable Final Terms or Drawdown Prospectus and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms or Drawdown Prospectus endorsed thereon or attached thereto and having a Form of Transfer endorsed thereon.

"**DEFRA**" means the United Kingdom Department for the Environment, Food and Rural Affairs.

"**Depreciation**" means, in relation to a period of time, the "total RCV run-off" (or other term(s) used to mean the depreciation charges applicable to the RCV) in respect of such period (interpolated as necessary for Out-turn Inflation) as last determined and notified to YWS by Ofwat at the most recent "Periodic Review" (as defined in the Instrument of Appointment) or other procedure through which from time to time Ofwat may make such determination on an equally definitive basis to that of such a "Periodic Review".

"**Determination Date**" means the date which is seven Business Days prior to each Payment Date or, as the case may be, each Non-Participating YWSF Bond Payment Date.

"**DETR**" means the Department of the Environment, Transport and the Regions which had responsibility for the Environment prior to DEFRA.

"**DIG Directions Request**" means a written notice of each DIG Proposal sent by the Security Trustee to the relevant DIG Representatives pursuant to the STID.

"**DIG Proposal**" means a proposal pursuant to the STID requiring a Majority Creditor decision in relation to the resignation of the Security Trustee or any vote to terminate or extend Standstill in accordance with the STID.

"**DIG Representative**" means each Class A DIG Representative or, as the case may be, Class B DIG Representative.

"**Directors**" means the Board of Directors for the time being of the relevant Obligor.

"**Discharge Date**" means the date on which all obligations of the Obligors under the Finance Documents have been irrevocably satisfied in full and no further obligations are capable of arising under the Finance Documents.

"**Distribution**" means, any payments (including any payments of distributions, dividends, bonus issues, return of capital, fees, interest, principal or other amounts whatsoever) (by way of loan or repayment of any loan or otherwise) (in cash or in kind) to any Associate other than:

(a) payments made to such persons pursuant to arrangements entered into for the provision of management and know-how services and which are entered into on bona fide arm's length terms in the ordinary and usual course of trading (including pursuant to a Management Services Agreement and pursuant to any agreement made or to be made between YWS or any other member of the YW Financing Group and Citi Infrastructure Investors in relation to the provision of financial, operational or corporate advisory services) to the extent that the

aggregate of all such payments does not exceed 1 per cent. of RCV in any consecutive 12 month period;

(b) any payments made to such persons pursuant to any Outsourcing Agreements and/or Capex Contracts which were entered into and remain in compliance with the Outsourcing Policy save that if any Outsourcing Agreement and/or Capex Contract should cease to comply in all material respects with the Outsourcing Policy, all payments thereunder made by YWS shall only be made as Distributions where such non-compliance has remained unremedied for a period in excess of 365 days from the date on which YWS became aware of such non-compliance;

(c) payments made to such persons pursuant to arrangements entered into on terms that are not bona fide and arm's length in the ordinary and usual course of trading to the extent that the aggregate of all such payments does not exceed 0.1 per cent. of RCV in any consecutive 12 month period; or

(d) any payments made to such persons in respect of a Permitted Post Closing Event.

"**Drawdown Prospectus**" means a separate prospectus specific to a Tranche of the Bonds.

"**DSR Liquidity Facility**" means a debt service reserve liquidity facility made available under a DSR Liquidity Facility Agreement.

"**DSR Liquidity Facility Agreements**" means the DSR Liquidity Facility Agreements entered into between, *inter alios*, the YWS Limited, YWSF, the Issuer and certain DSR Liquidity Facility Providers on 17 March 2022 (which were renewed on 25 March 2024**,** amended on 31 March 2025, and with availability extended from 25 March 2025) (as may be further amended and restated from time to time) and as renewed from time to time, and "**DSR Liquidity Facility Agreement**" means any one of them.

"**DSR Liquidity Facility Provider**" means a lender or guarantor from time to time under a DSR Liquidity Facility.

"**DWI**" means the England and Wales Drinking Water Inspectorate.

"**EA**" or "**Environment Agency**" means the England and Wales Environment Agency.

"**Early Bond Redemption Agreement**" means the agreement dated the Closing Date originally between YWS, Yorkshire Water Services Odsal Finance Limited, YWSF and the Security Trustee pursuant to which YWS, Yorkshire Water Services Odsal Finance Limited and YWSF agree to make certain payments as between themselves in respect of an early redemption of the Exchanged YWSF Bonds.

"**Early Redemption Amount**" has the meaning, in relation to a Sub-Class of Bonds, given to such term in the Conditions relating to such Sub-Class of Bonds.

"**EIB**" means the European Investment Bank.

"**EIB Amendment Agreement**" means the amendment agreement dated on the Closing Date between the EIB and YWS relating to the EIB Authorised Credit Facilities.

"**EIB Authorised Credit Facilities**" means certain existing term facilities made available to YWS and any further facilities made available to YWS by the EIB pursuant to the EIB Authorised Credit Finance Contracts.

"**EIB Authorised Credit Finance Contracts**" means each of:

(a) the finance contract dated 3 October 1997 between the EIB and YWS in respect of Yorkshire Water Project X (identification number: 0.9793);

(b) the finance contract dated 17 December 2001 between the EIB and YWS in respect of Yorkshire Water Project XI (identification number: 21.403);

(c) the finance contract dated 16 December 2004 between the EIB and YWS in respect of Yorkshire Water Project XII (identification number: 22.854);

(d) the finance contract dated 16 March 2006 between the EIB and YWS in respect of Yorkshire Water Project XIII (identification number: 23.436); and

(e) any other finance contract which shall be entered into between the EIB and YWS and which shall be agreed between the parties thereto to be designated as an "EIB Authorised Credit Finance Contract",

in the case of paragraphs (a) to (d), as amended by the EIB Amendment Agreement on the Closing Date.

"**EIN Signatories**" means the DIG Representatives representing $66^{2}/_{3}$ per cent. or more of: (i) the aggregate Outstanding Principal Amount of Qualifying Class A Debt; or (ii) following the repayment in full of the Qualifying Class A Debt, Qualifying Class B Debt (after excluding from Qualifying Class A Debt or, as the case may be, Qualifying Class B Debt (as applicable), the Outstanding Principal Amount of: (a) the Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in respect of the Financial Guarantor of such Sub-Class of Wrapped Bonds); (b) the Unwrapped Bonds; (c) the YWSF Wrapped Bonds (following the occurrence of an FG Event of Default which is continuing in respect of the YWSF Financial Guarantor; (d) the YWSF Unwrapped Bonds; and (e) the Non-Participating YWSF Bonds which constitute Qualifying Class A Debt, in each case, in respect of which the relevant Bondholder, Participating YWSF Bondholder or, as the case may be, Non-Participating YWSF Bondholder, has not voted through the clearing systems during the initial 15 Business Day Decision Period pursuant to the STID.

"**Emergency**" means the disruption of the normal service of the provision of water or wastewater services which is treated as an emergency under YWS's policies, standards and procedures for emergency planning manual.

"**Emergency Instruction Notice**" means a notice, setting out the written instructions of the EIN Signatories given to the Security Trustee after the date specified in the STID Directions Request or, as the case may be, DIG Directions Request, being not less than 15 Business Days after the date that the STID Directions Request or DIG Directions Request (as applicable) is deemed to be given in accordance with Clause 17.3 (*Effectiveness*) of the Common Terms Agreement.

"**Emergency Instruction Procedure**" means an emergency instruction procedure provided for in the STID, subject to Entrenched Rights and Reserved Matters, to cater for circumstances when a Default Situation is subsisting, and certain decisions and instructions may be required in a timeframe which does not allow the Bond Trustee, the Participating YWSF Bond Trustee or, as the case may be, the Non-Participating YWSF Bond Trustee to convene bondholder meetings.

"**Enforcement Action**" means any step (other than the exercise of any rights of inspection of any asset or other immaterial actions taken under any Finance Lease) that a Secured Creditor is entitled to take to enforce its rights against an Obligor under a Finance Document or, as the case may be, the Non-Participating YWSF Bonds following the occurrence of an Event of Default (or, in the case of the Non-Participating YWSF Bonds, an event of default under the terms and conditions thereof) including

(without limitation), the declaration of an Event of Default (or, as the case may be, an event of default under the terms and conditions of the Non-Participating YWSF Bonds), the institution of proceedings, the making of a demand for payment under a Guarantee (or the guarantee by YWS in respect of the Non-Participating YWSF Bonds), the making of a demand for cash collateral under a Guarantee (or, as the case may be, the guarantee under the terms and conditions of the Non-Participating YWSF Bonds) or the Acceleration of Liabilities (other than a Permitted Lease Termination, a Permitted Hedge Termination or a Permitted EIB Compulsory Prepayment Event) or the cancellation following an Event of Default of any remaining commitments under an Authorised Credit Facility in full or, as the case may be, an acceleration by a Secured Creditor or Secured Creditors pursuant to the terms of the applicable Finance Documents or, as the case may be, the Non-Participating YWSF Bonds.

"**Enforcement Order**" means an enforcement order, a final enforcement order or a provisional enforcement order, each as referred to and defined in the WIA.

"**Enterprise Act**" means the Enterprise Act 2002.

"**Entrenched Rights**" means: (i) the rights of the Secured Creditors (other than the Non-Participating YWSF Bond Trustee and any Non-Participating YWSF Bondholder) provided by the terms of Clauses 8.3 (*Entrenched Rights of Class A Debt Providers*) to 8.9 (*Entrenched Rights of the Hedge Counterparties*) (inclusive) of the STID and summarised in Chapter 7 "*Overview of the Financing Agreements*" under "*Security Trust and Intercreditor Deed*" of this Prospectus; and (ii) the Non-Participating YWSF Bond Entrenched Rights.

"**Environment Act**" means the Environment Act 2021.

"**Environmental Approvals**" shall, in either case where used, mean any permit, licence, consent, approval or other authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of the Business conducted on or from the properties owned or used by YWS.

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by the relevant duly appointed person pursuant to any Environmental Law.

"**Environmental Law**" means any applicable law (including DETR Circular 02/2000) in force in any jurisdiction in which YWS or any of its Subsidiaries or any Joint Venture in which it has an interest conducts business which relates to the pollution or protection of the environment or harm to or the protection of human health or the health of animals or plants.

"**Equipment**" means, in relation to a Finance Lease, any items of equipment, plant and/or machinery, system, asset, software licence, Intellectual Property Right, software and any other item leased under that Finance Lease.

"**Equivalent Amount**" means the amount in question expressed in the terms of the Base Currency, calculated on the basis of the Exchange Rate.

"**EU**" means the European Union.

"**EURIBOR**" has the meaning given to that term in the relevant Finance Document.

"**Euro**" or "**€**" means the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Community, as amended, from time to time.

"**Euroclear**" means Euroclear Bank SA/NV as operator of the Euroclear System.

"**Events of Default**" means (other than in any Hedging Agreement when used in relation to a Hedge Counterparty, where "**Events of Default**" has the meaning given to it in that Hedging Agreement) the

events specified as such in Schedule 6 (*Events of Default*) to the Common Terms Agreement as more particularly described in Chapter 7 "*Overview of the Financing Agreements*" under "*Security Trust and Intercreditor Deed*" of this Prospectus, and "**Event of Default**" means any one of them.

"**Exchange Offer**" means the exchange offer made by Yorkshire Water Services Odsal Finance Limited to certain YWSF Bondholders on the Closing Date.

"**Exchange Rate**" means the spot rate at which the Non-Base Currency is converted to the Base Currency as quoted by the Agent Bank as at 11.00 a.m.:

(a) for the purposes of Clause 9.3 (*Notice to Secured Creditors of STID Proposal*) and Clause 9.6 (*DIG Directions Request*) of the STID, respectively, on the date that the STID Proposal or DIG Proposal (as applicable) is dated; and

(b) in any other case, on the date on which calculation of the Equivalent Amount of the Outstanding Principal Amount is required,

and, in each case, as notified by the Agent Bank to the Security Trustee.

"**Exchanged YWSF Bonds**" means the Non-Participating YWSF Bonds transferred to the Exchange Issuer as part of the Exchange Offer on the Closing Date, and subsequently transferred back to YWSF and cancelled as part of the 2018 Reorganisation.

"**Excluded Accounts**" means:

(a) the O&M Reserve Accounts, to the extent that the balance standing to the credit of such accounts is attributable to a Standby Drawing under the relevant O&M Reserve Facility;

(b) the Debt Service Reserve Accounts, to the extent that the balance standing to the credit of such accounts is attributable to a Standby Drawing under the relevant DSR Liquidity Facility;

(c) the Non-Participating YWSF Bond Reserve Account, to the extent that the balance standing to the credit of such account is attributable to a Standby Drawing under the relevant DSR Liquidity Facility;

(d) each Cash Cover Account; and

(e) each Swap Collateral Account.

"**Excluded Property**" means (other than in respect of any Protected Land):

(a) any residential property;

(b) any leasehold property; and

(c) any other property or properties where together in aggregate the market value of the Obligors' interest(s) in all such properties does not exceed 0.1 per cent. of RCV,

provided that any such property or interest falling within (a), (b) and/or (c) above will not be Excluded Property where the aggregate market value of the Obligors' interest(s) in any and all properties and interests constituting Excluded Property would exceed 5 per cent. of RCV;

"**Existing Authorised Credit Facilities**" means, among others, the EIB Authorised Credit Facilities.

"**Existing Authorised Credit Finance Contracts**" means the EIB Authorised Credit Finance Contracts and the Senior Facilities Agreement, in each case as amended and/or restated on the Closing Date.

"**Existing Authorised Credit Providers**" means among others, the EIB.

"**Existing Bulk Water Supply Contracts**" means the following contracts for the bulk supply of water to YWS:

(a) the contract with Severn Trent Water Limited entered into on 1 October 1989 in respect of the supply of untreated water from the Derwent Valley Reservoirs to Rivelin Wastewater Treatment Works in Sheffield;

(b) the contract with Northumbrian Water Limited entered into on 19 July 1995 in respect of the supply of water from Scaling Dam; and

(c) the contract with British Waterways Board entered into on 1 January 2005 in respect of the use of the British Waterways Board's reservoirs within the Colne Valley.

"**Extraordinary Resolution**" means, in relation to the Bonds, a resolution passed by a meeting of Bondholders, duly convened and held in accordance with the Bond Trust Deed, by a majority of not less than three-quarters of the votes cast at such meeting and, in relation to the Participating YWSF Bonds, a resolution passed by a meeting of Participating YWSF Bondholders, duly convened and held in accordance with the relevant Participating YWSF Bond Trust Deed.

"**Facility Agent**" means any facility agent under any Authorised Credit Facility.

"**Fast/Slow Adjustment**" means, in respect of a period of time, Funded Fast Money minus Notional Fast Money.

"**FCA**" means the Financial Conduct Authority.

"**FG Event of Default**" means, in relation to any Financial Guarantor, such events as are specified in that Financial Guarantor's G&R Deed or equivalent document; in relation to Wrapped Bonds, such events as are set out in the relevant Final Terms; and, in relation to YWSF Wrapped Bonds, such events as are set out in the terms and conditions thereof.

"**FG Excepted Amounts**" means any additional amounts relating to premium, prepayment or acceleration, accelerated amounts and Subordinated Step-up Fee Amounts.

"**Final Determination**" means the final price determination made by Ofwat on a five-yearly basis.

"**Final Terms**" means the final terms issued in relation to each Sub-Class or Tranche of Bonds as a supplement to the Conditions and giving details of the Sub-Class or Tranche.

"**Finance Documents**" means:

(a) the Security Documents;

(b) the Bond Trust Deed;

(c) the Participating YWSF Bond Trust Deeds;

(d) the Bonds (including the applicable Final Terms or Drawdown Prospectus);

(e) the Participating YWSF Bonds (including the applicable final terms);

(f) each Financial Guarantee;

(g) each G&R Deed;

(h) each Financial Guarantee Fee Letter;

(i) the Finance Lease Documents;

(j) the Hedging Agreements and any other credit support or collateral documentation entered into in connection therewith or pursuant thereto;

(k) the Common Terms Agreement;

(l) the Issuer/YWS Loan Agreements;

(m) the Issuer/YWS Bond Loan Agreements;

(n) the YWSF/YWS Loan Agreements;

(o) each Liquidity Facility Agreement;

(p) the Agency Agreement;

(q) the Master Definitions Agreement;

(r) the Account Bank Agreement;

(s) the CP Agreement;

(t) the Tax Deed of Covenant;

(u) the Existing Authorised Credit Finance Contracts (including the EIB Amendment Agreement and each Senior Finance Document (as defined in the Senior Facilities Agreement));

(v) each Indemnification Deed;

(w) any other Authorised Credit Facilities;

(x) the Early Bond Redemption Agreement; and

(y) each agreement or other instrument between the Issuer, YWS, or YWSF (as applicable) and an Additional Secured Creditor designated as a Finance Document by the Issuer, YWS, or YWSF (as applicable), the Security Trustee and such Additional Secured Creditor in the Accession Memorandum for such Additional Secured Creditor,

and "**Finance Document**" means any of them.

"**Finance Lease Documents**" means each Finance Lease together with any related or ancillary documentation.

"**Finance Leases**" means the Finance Leases entered into on or prior to the Initial Issue Date and any other finance lease entered into by YWS in respect of plant, machinery, software, computer systems or equipment (provided that such leases have not terminated), the counterparty to which has acceded to, and is bound by, the terms of the STID and the Common Terms Agreement (each a "**Finance Lease**").

"**Finance Lessor**" means any person which has entered into or which will enter into a Finance Lease with YWS, as permitted by the Common Terms Agreement and the STID, who accedes to the STID and the Common Terms Agreement as a Finance Lessor.

"**Finance Party**" means any person providing financial accommodation pursuant to an Authorised Credit Facility (including any Issuing Bank) including all arrangers, agents and trustees appointed in connection with any such Authorised Credit Facility.

"**Financial Guarantee**" means any financial guarantee issued by a Financial Guarantor in respect of any Wrapped Bond or in relation to the YWSF Wrapped Bonds.

"**Financial Guarantee Fee**" means any fees and/or premia payable to the Financial Guarantor under a Financial Guarantee Fee Letter.

"**Financial Guarantee Fee Letter**" means any letter or other agreement between a Financial Guarantor and one or more of the Obligors setting out the terms on which premia are payable in relation to one or more Financial Guarantees issued or to be issued by that Financial Guarantor.

"**Financial Guarantor**" means any person which provides a financial guarantee, including any Financial Guarantees, in respect of any of the Wrapped Bonds and the YWSF Financial Guarantor, and "**Financial Guarantors**" means all of them if there is more than one at any time.

"**Financial Indebtedness**" means (without double-counting) any indebtedness for or in respect of:

(a) monies borrowed or raised (whether or not for cash);

(b) any documentary or standby letter of credit facility;

(c) any acceptance credit;

(d) any bond, note, debenture, loan stock or other similar instrument;

(e) any finance or capital lease or hire purchase contract which would, in accordance with Applicable Accounting Principles, be treated as such;

(f) any amount raised pursuant to any issue of shares which are capable of redemption;

(g) receivables sold or discounted (other than on a non-recourse basis);

(h) the amount of any liability in respect of any advance or deferred purchase agreement if either one of the primary reasons for entering into such agreement is to raise finance or the relevant payment is advanced or deferred for a period in excess of 90 days;

(i) any termination amount due from any member of the YW Financing Group in respect of any Treasury Transaction that has terminated;

(j) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing (other than any trade credit or indemnity granted in the ordinary course of YWS's trading and upon terms usual for such trade);

(k) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; and

(l) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (k) above (other than any guarantee or indemnity in respect of obligations owed by one member of the YW Financing Group to another).

"**Financial Statements**" means, at any time, the most recent financial statements (excluding for the avoidance of doubt, regulatory accounts) of an Obligor, consolidated where applicable, most recently delivered to the Security Trustee.

"**Financial Year**" means the 12 months ending on 31 March in each year or such other period as may be approved by the Security Trustee.

"**First Kelda Holdco Loan**" means a £308,935,000 intercompany loan originally between Saltaire Water Limited (as borrower) and YWS as lender dated 6 August 2008 and novated to Kelda Holdco Limited (as borrower) on 6 August 2008, and subsequently novated by Kelda Holdco Limited to Kelda Junior Holdco Limited (as borrower) on 22 December 2014; novated by Kelda Junior Holdco Limited to Kelda Buffer Limited (as borrower) on 22 December 2014; novated by Kelda Buffer Limited to Kelda Non-Reg Holdco Limited (as borrower) on 22 December 2014; and novated by Kelda Non-Reg Holdco Limited to Kelda Eurobond Co Limited (as borrower) on 26 March 2015.

"**Fitch**" means Fitch Ratings Limited, or any successor to the rating business of Fitch Ratings Limited.

"**Fixed Rate Bond**" means a Bond on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in each year and on redemption or on such other dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms or Drawdown Prospectus (as applicable)).

"**Floating Rate Bond**" means a Bond on which interest is calculated at a floating rate payable in arrear in respect of such period or on such date(s) as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms or Drawdown Prospectus (as applicable)).

"**Form of Transfer**" means the form of transfer endorsed on a Definitive Registered Bond in the form or substantially in the form set out in Schedule 3, Part B (*Form of Definitive Registered Bond*) to the Bond Trust Deed.

"**FSMA**" means the Financial Services and Markets Act 2000, as amended.

"**Funded Fast Money**" means the product of:

(a) the pay-as-you-go rate as set out in YWS's relevant published Final Determination, in respect of a period of time; and

(b) "Totex" as set out in YWS's relevant published Final Determination, in respect of a period of time.

"**FWM Act**" means the Flood and Water Management Act 2010.

"**G&R Deed**" means a guarantee and reimbursement deed (or agreement of similar name and effect) between, among others, the Issuer and a Financial Guarantor in connection with a particular Tranche of Bonds or between YWSF and the YWSF Financial Guarantor in connection with the YWSF Wrapped Bonds.

"**Global Bond**" means a Temporary Global Bond and/or a Permanent Global Bond and/or a Registered Global Bond, as the context may require.

"**Good Industry Practice**" means the standards, practices, methods and procedures as practised in the United Kingdom conforming to all applicable laws and the degree of skill, diligence, prudence and foresight which would reasonably be expected from a skilled and experienced person undertaking all or part of the Business, as the case may be, under the same or similar circumstances as those applying to YWS having regard to the regulatory pricing allowances and practices in England and Wales' regulated water and sewerage industry at the relevant time.

"**Government**" means the government of the United Kingdom.

"**Guarantee**" means, in relation to each Guarantor, the guarantee of such Guarantor given by it pursuant to the Security Document to which it is a party.

"**Guaranteed Amounts**" has the meaning given to such term in the relevant Financial Guarantee.

"**Guarantors**" means YWH, YWS, the Issuer and YWSF in their capacity as Guarantors pursuant to the Security Agreement, together with any other entity which accedes to the Security Agreement as a chargor in accordance with the terms thereof, (each a "**Guarantor**").

"**Hedge Counterparties**" means any counterparty to a Hedging Agreement which is or becomes party to the STID, in accordance with the STID, and "**Hedge Counterparty**" means any of such parties.

"**Hedging Agreement**" means any Treasury Transaction entered or to be entered into by the Issuer and/or YWS and/or YWSF with Hedge Counterparties in accordance with the Hedging Policy and references to "**Hedging Agreements**" shall be construed accordingly.

"**Hedging Policy**" means the initial hedging policy applicable to YWS, YWSF, and the Issuer set out in Schedule 7 (*Hedging Policy and Overriding Provisions Relating to Hedging Agreements*) of the Common Terms Agreement as such hedging policy may be, subject to the provisions of the STID, amended from time to time by agreement between the Security Trustee, YWS, YWSF, the Issuer and, in certain circumstances, the Hedge Counterparties in accordance with the STID.

"**Hedging Transaction**" means any Treasury Transaction evidenced by a confirmation entered or to be entered into pursuant to a Hedging Agreement by the Issuer and/or YWS and/or YWSF with a Hedge Counterparty in accordance with the Hedging Policy, and references to "**Hedging Transactions**" shall be construed accordingly.

"**Holding Company**" means a holding company within the meaning of section 736 of the Companies Act.

"**Hull City Enhanced Flood Projection**" means any Capital Expenditure incurred or to be incurred by YWS under the multi-agency agreement entered into in response to the Hull flooding of 2007, or as required directly by Ofwat.

"**Humber UWWTD Sensitive Water Designation**" means any Capital Expenditure incurred or to be incurred by YWS as a result of the designation of the Humber Estuary as "sensitive area" under the Urban Waste Water Treatment Directive.

"**Income**" means any interest, dividends or other income arising from or in respect of an Authorised Investment.

"**Indemnification Deed**" means, with respect to any Financial Guarantor, the deed so named and entered into on or about the date of the relevant Subscription Agreement (or, in the case of the YWSF Financial Guarantor, on or about the issue date of the YWSF Wrapped Bonds) between the Obligors, the Financial Guarantor and the Dealers.

"**Independent Enforcement Action**" means:

(a) in the case of the Non-Participating YWSF Bondholders of any Class of Non-Participating YWSF Bonds:

(i) the delivery of any notice from the Non-Participating YWSF Bond Trustee or any Non-Participating YWSF Bondholder to YWSF and/or YWS and/or any other Obligor pursuant to which all or any of the Non-Participating YWSF Bonds are declared or become prematurely due and payable or fall to be redeemed prior to their specified maturity date; or

(ii) the taking of formal steps for the commencement of Insolvency Proceedings against YWSF and/or YWS and/or any other Obligor by the Non-Participating YWSF Bond Trustee or any Non-Participating YWSF Bondholder,

in each case, at any time other than following the termination of a Standstill (except if such Standstill is terminated due to a waiver by the Majority Creditors (subject to the relevant Quorum Requirement being met) and any other Secured Creditor whose consent is required to be obtained in respect of such waiver pursuant to the Entrenched Rights or the remedy of the Event of Default giving rise to the Standstill Period); and

(b) in the case of any other Secured Creditor (other than the Security Trustee, the Non-Participating YWSF Bond Trustee and the Non-Participating YWSF Bondholders) and only for so long as there are any Non-Participating YWSF Bonds outstanding, any breach by such Secured Creditor of any of the provisions imposing restrictions on the Secured Creditors in respect of

taking independent action against any Obligor as set out in Clause 11.1 (*Undertakings of Secured Creditors*) of the STID.

"**Independent Review**" means an independent review resulting from a Trigger Event as set out in Paragraph 2 (*Further Information and Remedial Plan*), Part 2 (*Trigger Event Consequences*) of Schedule 5 (*Trigger Events*) to the Common Terms Agreement and set out in Chapter 7 "*Overview of the Financing Agreements*" under "*Common Terms Agreement*".

"**Indexed Bond**" means a bond in respect of which the amount payable in respect of principal and interest is calculated by reference to an index and/or formula as the Issuer (as the case may be) and the relevant Dealer(s) may agree (as indicated in the relevant Final Terms or Drawdown Prospectus (as applicable)).

"**Index Event**" has the meaning given to it in Condition 8(d) "*Redemption for Index Event, Taxation or Other Reasons*".

"**Initial Issue Date**" means the date of issue of the first Sub-Class of Bonds under the Programme (being the Closing Date).

"**Initial Issuing Bank**" means The Royal Bank of Scotland plc.

"**Initial Issuer/YWS Loan Agreement**" means the loan agreement originally entered into between the Yorkshire Water Services Bradford Finance Limited (which has been succeeded by the Issuer) and YWS on the Closing Date.

"**Initial Senior Facilities Arrangers**" means National Westminster Bank plc, HSBC Bank plc and Abbey National Treasury Services Plc.

"**Initial YWSF/YWS Loan Agreement**" means the loan agreement entered into between YWSF and YWS on the Closing Date.

"**Insolvency Act**" means the Insolvency Act 1986.

"**Insolvency Event**" means, in respect of any company:

(a) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition or application for the making of an administration order (other than in the case of the Issuer or YWSF, by the Security Trustee) and, in the opinion of the Security Trustee, such proceedings are not being disputed in good faith with a reasonable prospect of success;

(b) the giving of notice of appointment of an administrator or the making of an administration order or an administrator being appointed in relation to such company;

(c) an encumbrancer (excluding, in relation to the Issuer or YWSF, the Security Trustee or any receiver appointed by the Security Trustee) taking possession of the whole or any part of the undertaking or assets of such company;

(d) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer or YWSF, by the Security Trustee or any receiver appointed by the Security Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 30 days;

(e) the making of an arrangement, composition, scheme of arrangement, reorganisation with or conveyance to or assignment for the creditors of such company generally or the making of an

application to a court of competent jurisdiction for protection from the creditors of such company generally;

(f) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company (except, in the case of the Issuer or YWSF, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Security Trustee or by an Extraordinary Resolution);

(g) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company;

(h) save as permitted in the STID, the cessation or suspension of payment of its debts generally or a public announcement by such person of an intention to do so; or

(i) save as provided in the STID, a moratorium is declared in respect of any indebtedness of such person.

"**Insolvency Official**" means, in connection with any Insolvency Proceedings in relation to a company, a liquidator, provisional liquidator, administrator, Special Administrator, administrative receiver, receiver, manager, nominee, supervisor, trustee, conservator, guardian or other similar official in respect of such company or in respect of all or substantially all of the company's assets or in respect of any arrangement or composition with creditors.

"**Insolvency Proceedings**" means, in respect of any company, the winding-up, liquidation, dissolution, administration of such company, or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or of any jurisdiction in which such company carries on business, including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

"**Instalment Bonds**" means any Bonds specified as being instalment bonds in the relevant Final Terms or Drawdown Prospectus.

"**Instrument of Appointment**" means the instrument of appointment dated August 1989 under sections 11 and 14 of the Water Act 1989 (as in effect on 1 September 1989) under which the Secretary of State for the Environment appointed YWS as a water undertaker under that Act for the areas described in the Instrument of Appointment, as modified or amended from time to time.

"**Instrument of Appointment Condition**" means any of the conditions contained in the Instrument of Appointment.

"**Intellectual Property Rights**" means all right, title and interest in:

(a) any trademark, service mark, trade name, logo, patent, invention, design or similar right;

(b) any designs, copyright, semi-conductor topography, database and know-how or intellectual property right; and

(c) all such similar rights which may subsist in any part of the world, in each case whether registered or not, whether in existence now or in the future, and includes any related application.

"**Intercreditor Arrangements**" means the arrangements between the Secured Creditors of the YW Financing Group in the STID summarised in Chapter 7 "*Overview of the Financing Agreements*" under "*Security Trust and Intercreditor Deed*".

"**Interest Commencement Date**" means, in the case of interest-bearing Bonds, the date specified in the applicable Final Terms or Drawdown Prospectus (as applicable) from (and including) which such Bonds bear interest, which may or may not be the Issue Date.

"**Interest Payment Date**" means any date upon which interest or payments equivalent to interest become payable under the terms of any Authorised Credit Facility.

"**Interest Rate Hedging Agreement**" means any Hedging Agreement with a Hedge Counterparty in respect of one or more Treasury Transactions to hedge exposure to interest rates, including any RPI Linked Hedging Agreement or any other Hedging Agreement specified as such in the relevant Accession Memorandum to the STID.

"**Intra-Group Debt Service Distribution**" means any distribution or payment in respect of a Permitted Tax Loss Transaction between members of the YW Financing Group.

"**Intra-Group Loans**" means the amounts outstanding, from time to time, in respect of any financial indebtedness between members of the YW Financing Group, and "**Intra-Group Loan**" means any of them.

"**Investment Grade**" means a rating of at least Baa3 by Moody's, BBB- by S&P and BBB- by Fitch.

"**Investors' Report**" means each report produced semi-annually by YWS, to be delivered within the earlier of 45 days after publication of the relevant Financial Statements or within 120 days from 31 March or 90 days from 30 September in each year substantially in the form set out in the Common Terms Agreement.

"**IRC**" means the amounts set out under the heading infrastructure renewals charge in the financial projections contained in the supplementary report issued by Ofwat detailing the numbers and assumptions specific to YWS in Ofwat's most recent Final Determination adjusted as appropriate for any subsequent interim determination and for Out-turn Inflation, **provided that** for the purposes of calculating any financial ratio for any Test Period for which there is no Final Determination, "IRC" shall be YWS's good faith present estimate of such infrastructure renewals charge for such Test Period.

"**IRE**" means, in relation to a period of time, the aggregate of infrastructure renewals expenditure as set out in YWS's relevant published Final Determination.

"**ISDA Master Agreement**" means an agreement in the form of the 1992 or 2002 ISDA Master Agreement (Multi-Currency Cross Border) or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee.

"**Issue Date**" means the date of issue of any Tranche of Bonds or the date upon which all conditions precedent to a utilisation under any other Authorised Credit Facility have been fulfilled or waived and YWS, the Issuer or, as the case may be, YWSF makes a utilisation of that facility.

"**Issue Price**" means the price as stated in the relevant Final Terms or Drawdown Prospectus (as applicable), generally expressed as a percentage of the nominal amount of the Bonds, at which the Bonds will be issued.

"**Issuer**" means Yorkshire Water Finance plc.

"**Issuer DSR Proportion**" means a proportion of the Class A Required Balance attributable to the Issuer calculated on a *pro rata* basis according to the Outstanding Principal Amount of: (i) the Issuer's Class A Debt; and (ii) YWSF's Class A Debt.

"**Issuer/YWS Bond Loan Agreements**" means each of the loan agreements originally entered into between Yorkshire Water Services Odsal Finance Limited (which has been succeeded by the Issuer), YWS and the Security Trustee on the Closing Date each corresponding to the relevant Class of Bonds

issued by Yorkshire Water Services Odsal Finance Limited in connection with the Exchange Offer and each an "**Issuer/YWS Bond Loan Agreement**".

"**Issuer/YWS Loan Agreements**" means any loan agreement originally entered into between Yorkshire Water Services Odsal Finance Limited (as lender, which has been succeeded by the Issuer) and YWS (as borrower), (other than the Issuer/YWS Bond Loan Agreements) including the Initial Issuer/YWS Loan Agreement and each an "**Issuer/YWS Loan Agreement**".

"**Issuing Bank**" means the Initial Issuing Bank and any other financial institution that agrees to become an issuing bank under an Authorised Credit Facility (in accordance with the terms thereof) and accedes to the terms of the STID and Common Terms Agreement, together the "**Issuing Banks**").

"**Joint Venture**" means any arrangement or agreement for any joint venture, co-operation or partnership pursuant to, required for or conducive to the operation of the Business or Permitted Non-Appointed Business by YWS but shall exclude any arrangements or framework agreements entered into with a Contractor which are in accordance with and subject to the Outsourcing Policy.

"**K**" means the adjustment factor set for each year by Ofwat by which charges made by Regulated Companies for water supply and sewerage services may be increased, decreased or kept constant.

"**Kelda Group**" means Kelda Holdings Limited and its Subsidiaries.

"**Keyland Development**" means Keyland Development Limited, a company to whom YWS from time to time disposes of land and connected assets on arm's length terms.

"**KGL**" means Kelda Group Limited, a company incorporated in England and Wales with limited liability (registered number 02366627).

"**Lead Manager**" means, in relation to any Tranche of Bonds, the person named as the lead manager in the relevant Subscription Agreement.

"**Lease Calculation Cashflow**" means, in respect of any Test Period commencing on 1 April in any year or, as the case may be, the Pre-Test Period, for any Finance Lease, a cashflow statement produced by the relevant Finance Lessor on, or as soon as reasonably practicable after, its Lease Calculation Date occurring prior to the commencement of such Test Period and in accordance with its terms, the Common Terms Agreement and the terms of the relevant Accession Memorandum, and using, *inter alia*, for the purposes of calculating the amount shown for each Rental Payment Date falling within the relevant Test Period or, as the case may be, the Pre-Test Period under the heading "interest" (or the equivalent thereof (howsoever worded)) in such cashflow statement, a rate of LIBOR, estimated, as at its Lease Calculation Date, by reference to the average of those rates per annum being offered by certain reference banks to prime banks in the London interbank market for entry into 12 month (or such other period as is equal to the relevant Rental Period under such Finance Lease) forward contracts, commencing on each Rental Payment Date arising during the period commencing on such Lease Calculation Date and ending on the last Rental Payment Date to occur during the relevant Test Period and as agreed between YWS and the relevant Finance Lessor (**provided that**, where any Finance Lease contains Rentals which are calculated by reference to a fixed rate of interest or where, in respect of a Finance Lease a rate of interest in respect of a Test Period, or as the case may be, the Pre-Test Period, in question has previously been determined prior to the relevant Lease Calculation Date in accordance with the terms of that Finance Lease, any Lease Calculation Cashflow produced in respect of that Finance Lease shall reflect the actual fixed rate of interest or, as the case may be, such previously determined rate of interest, implicit in such Rental calculations), **provided that** where in respect of any Finance Lease there has been a change of assumption resulting in an increase or decrease in the Rental payable thereunder during any Test Period commencing on 1 April in any year or the Pre-Test Period, as the case may be, the Lease Calculation Cashflow applicable to that Finance

Lease for such Test Period or the Pre-Test Period shall also include a cashflow statement, produced as soon as reasonably practicable after the time of recalculating the Rental and in accordance with its terms, and the terms of the relevant Accession Memorandum and using, in such cashflow statement, the same estimated interest rates as were used in preparation of the original cashflow statement prepared on or as soon as reasonably practicable after the Lease Calculation Date applicable to that Test Period or the Pre-Test Period, as the case may be.

"**Lease Calculation Date**" means in respect of any Finance Lease entered into on or prior to the Initial Issue Date:

(a) the Closing Date;

(b) the date falling 10 days before the Rental Payment Date immediately preceding 1 April 2010; and

(c) each yearly anniversary of the date referred to in paragraph (b) above,

and, in respect of any other Finance Lease, means:

(i) the date of the Accession Memorandum executed by the relevant Finance Lessor relating to such Finance Lease; and

(ii) the date falling 10 days before the Rental Payment Date immediately preceding the commencement date of the first Test Period to commence on 1 April immediately after the date referred to in paragraph (i) above; and

(iii) each anniversary of the date referred to in paragraph (ii) above,

save that, where any date referred to in paragraph (b), (c), (i), (ii) or (iii) is not a Business Day, such date shall be deemed to be the preceding Business Day.

"**Lease Reserve Amount**" means, in respect of any Finance Lease in any Test Period commencing on 1 April in any year or the Pre-Test Period, the lower of: (i) the aggregate Notional Amount calculated with respect to such Finance Lease; and (ii) the aggregate amount of rental payments payable to the Finance Lessor under such Finance Lease during such Test Period or, as the case may be, the Pre-Test Period (inclusive of VAT) (after adding back any additional rentals (inclusive of VAT) payable and deducting any estimated rental rebates (inclusive of any credit for VAT), in each case as determined in accordance with the provisions of the relevant Finance Lease).

"**Letter of Credit**" means:

(a) a letter of credit, substantially in the form of the schedule to the Senior Facilities Agreement or in any other form requested by the Exchange Issuer and agreed by the Senior Facilities Agent and the Issuing Bank; or

(b) any guarantee, indemnity or other instrument in a form requested by the Exchange Issuer and agreed by the Senior Facilities Agent and the Issuing Bank.

"**LIBOR**" has the meaning given to that term in the relevant Finance Document.

"**Liquidity Facility**" means a DSR Liquidity Facility or an O&M Reserve Facility made under a Liquidity Facility Agreement and "**Liquidity Facilities**" means all of them.

"**Liquidity Facility Agent**" means, in respect of any Liquidity Facility Agreement, the facility agent under such Liquidity Facility Agreement.

"**Liquidity Facility Agreement**" means each liquidity facility agreement which has the characteristics set out in Schedule 13 (*DSR Liquidity Facility/O&M Reserve Facility Terms*) of the Common Terms

Agreement, as established in connection with each Sub-Class of Bonds or Class of Participating YWSF Bonds issued by, or other Authorised Credit Facility provided to, the Issuer, YWSF or YWS (as the case may be) or with shortfalls in funding for Projected Operating Expenditure or projected Capital Maintenance Expenditure, each counterparty to which has acceded to the terms of the STID and the Common Terms Agreement.

"**Liquidity Facility Arranger**" means, in respect of any Liquidity Facility Agreement, the arranger under such Liquidity Facility Agreement.

"**Liquidity Facility Provider**" means any lender from time to time under a Liquidity Facility Agreement that has agreed to be bound by the terms of the STID and the Common Terms Agreement, including the DSR Liquidity Facility Providers and the O&M Reserve Facility Providers.

"**Listing Rules**" means the Listing Rules of the Financial Conduct Authority.

"**Loan Notes**" means the unsecured loan notes maturing in June 2009 issued by YWS to certain loan note holders on 9 March 1999 in an aggregate principal amount of £563,077 as at 1 June 2009.

"**London Stock Exchange**" means The London Stock Exchange plc.

"**Major Capex Project**" means each of: (a) the Humber UWWTD Sensitive Water Designation; (b) the Hull City Enhanced Flood Projection; (c) the Adoption of Private Sewers; and (d) any other substantive capital expenditure project to be undertaken by YWS in connection with its Appointed Business where the net present value of the estimated total capital expenditure is equal to or greater than 10 per cent. of RCV.

"**Majority Creditors**" means the Class A DIG Representatives in respect of more than 50 per cent. of the Voted Qualifying Class A Debt or following repayment in full of the Qualifying Class A Debt, Class B DIG Representatives in respect of more than 50 per cent. of the Voted Qualifying Class B Debt (in each case, subject to Clause 8 (*Modifications, Consents and Waivers*) and Clause 9 (*Voting, Instructions and Notification of Outstanding Principal Amount of Qualifying Debt*) of the STID) as set out in Chapter 7 "*Overview of the Financing Agreements*").

"**Make-Whole Amount**" means any amount above par payable on redemption of any Senior Debt except where such amount is limited to accrued interest.

"**Management Services Agreement**" means any agreement between YWS and an Associate pursuant to which such Associate provides management services to YWS, including, but not limited to, in respect of tax, treasury, insurance, accounts and/or audit functions and/or the provision of directors to the YW Financing Group.

"**Mandatory Cost Rate**" means, in relation to any Authorised Credit Facility, the addition to the interest rate payable to compensate that Authorised Credit Provider for the cost of compliance with the requirements of the Bank of England and/or the Financial Conduct Authority (or, in either case, any other authority which replaces all or any of its functions) in accordance with the formula(e) set out in the relevant Authorised Credit Facility.

"**Market**" means the London Stock Exchange's Main Market.

"**Master Definitions Agreement**" means the master definitions agreement entered into on the Closing Date as amended, supplemented or restated from time to time between, among others, the Obligors, the Bond Trustee and the Security Trustee and amended, supplemented and/or amended and restated from time to time.

"**Material Adverse Effect**" means the effect of any event or circumstance which is materially adverse, taking into account the timing and availability of any rights or remedies under the WIA or the Instrument of Appointment, to:

(a) the financial condition of YWS, the Issuer, YWSF or of the YW Financing Group taken as a whole;

(b) the ability of any member of the YW Financing Group to perform its material obligations under any Finance Document;

(c) the validity or enforceability of any Finance Document or the rights or remedies of any Secured Creditor thereunder; or

(d) the ability of YWS to perform or comply with any of its material obligations under the Instrument of Appointment or the WIA.

"**Material Capex Contract**" means:

(a) any Capex Contract; and/or

(b) any series of Capex Contracts entered into by YWS with one or more contractors within the same corporate group (but excluding any such Capex Contracts which have expired and/or terminated),

where, in the case of (a) and/or (b) above, the aggregate annual value of such Capex Contract or all such Capex Contracts is equal to or greater than 5 per cent. of RCV.

"**Material Outsourcing Agreement**" means:

(a) any Outsourcing Agreement; and/or

(b) any series of Outsourcing Agreements entered into by YWS with one or more contractors within the same corporate group (but excluding any such Outsourcing Agreements which have expired and/or terminated),

where, in the case of (a) and/or (b) above, the aggregate annual value of such Outsourcing Agreement or all such Outsourcing Agreements is equal to or greater than 5 per cent. of RCV.

"**Maturity Date**" means the date on which a Bond is expressed to be redeemable or any other Authorised Credit Facility is expressed to be repayable in full.

"**Megalitre**" means a million litres.

"**Member State**" means a member state of the European Union.

"**Minimum Short-Term Rating**" means, in respect of any person or investment, such person's or investment's short-term unsecured debt obligations being rated, in the case of Moody's, "Prime-1" in the case of S&P, "A-1" and, in the case of Fitch, "F1", or, in each case, such other rating as the relevant Rating Agency agrees, **provided that**, such other rating would not cause a rating downgrade of the Senior Debt.

"**Ml/d**" means Megalitres per day.

"**Monthly Payment Amount**" has the meaning set out in paragraph 6.11 of Schedule 11 (*Cash Management*) to the Common Terms Agreement, approximately (and subject to adjustment) equal to 1/12th of YWS's Annual Finance Charge for the relevant twelve month period (or, in the case of the Pre-Test Period, the PTP Amount).

"**Moody's**" means Moody's Investors Service Limited, or any successor to the rating agency business of Moody's Investors Service Limited.

"**Natural England**" means Natural England, the UK Government's adviser for the natural environment in England.

"**Net Cash Flow**" means:

(a) in respect of any historical element of a Test Period, the aggregate of net cash flow from operating activities as shown in the YWS financial statements (after adding back, without double counting, and to the extent that such items are included in net cash flow from operating activities, any exceptional items (including the initial transaction fees payable on or about the Closing Date) to the extent such items represent expenditure of YWS and/or are included in the net cash flow from operating activities as shown in YWS's financial statements, any recoverable VAT, any Capital Expenditure, any movement in debtors and/or creditors relating to Capital Expenditure and any Deferrals of K) minus any exceptional items to the extent such items represent receipts of YWS and/or are included in the net cash flow from operating activities as shown in YWS's financial statements and corporation tax paid (which excludes payments in respect of a Permitted Tax Loss Transaction as part of any Intra-Group Debt Service Distribution), during such Test Period; and

(b) in respect of any forward-looking element of a Test Period, the aggregate of anticipated net cash flow from operating activities (after adding back, without double counting and to the extent that such items are included in the anticipated net cash flow from operating activities, any exceptional items to the extent such items represent expenditure of YWS and/or are included in the net cash flow from operating activities as shown in YWS's financial statements, any recoverable VAT, any Capital Expenditure any movement in debtors and/or creditors relating to Capital Expenditure and any Deferrals of K in each case anticipated to occur during such Test Period) minus any exceptional items to the extent such items represent receipts of YWS and/or are included in the net cash flow from operating activities as shown in YWS's financial statements and corporation tax (which excludes payments in respect of a Permitted Tax Loss Transaction as part of any Intra-Group Debt Service Distributions) anticipated to be paid during such Test Period less any anticipated net cash flow from operating activities of its business other than its Appointed Business and after adding back corporation tax anticipated to be paid as a result of such businesses during such Test Period,

provided that

(i) for the avoidance of doubt, for the purposes of calculating the Class A Adjusted ICR, the Conformed Class A Adjusted ICR, the Re-profiled Class A Adjusted ICR, the Class A Average Adjusted ICR, the Conformed Class A Average Adjusted ICR, the Re-profiled Class A Average Adjusted ICR, the Senior Adjusted ICR, the Conformed Senior Adjusted ICR, the Re-profiled Senior Adjusted ICR, the Senior Average Adjusted ICR, the Conformed Senior Average Adjusted ICR and the Re-profiled Senior Average Adjusted ICR only in respect of any forward looking elements of a Test Period. Net Cash Flow shall not take account of any payments made or due to be made or receipts received or due to be received under any Type 2 Hedging Agreement; and

(ii) following the establishment or acquisition of a Permitted Subsidiary pursuant to paragraph (g) of the definition of Permitted Acquisition, references in this definition to YWS will be construed as references to YWS and such Permitted Subsidiary.

"**New Money Advance**" means any drawing during a Standstill under any Authorised Credit Facility which is not made (or to the extent not made) for the purpose of refinancing a drawing under such Authorised Credit Facility.

"**Non-Appointed Expense**" means any expense incurred in connection with activities other than Appointed Business.

"**Non-Base Currency**" means a currency other than pounds sterling.

"**Non-Participating YWSF Bond Accession Date**" means in respect of each Class of Non-Participating YWSF Bonds, the date on which the Non-Participating YWSF Bond Trustee accedes to the STID, the Common Terms Agreement and the Master Definitions Agreement as the Secured Creditor Representative of the Non-Participating YWSF Bondholders of such Class.

"**Non-Participating YWSF Bond Accession Resolution**" means, in respect of each Class of Non-Participating YWSF Bonds, a resolution of the Non-Participating YWSF Bondholders of such Class, instructing the Non-Participating YWSF Bond Trustee to accede to the STID, the Common Terms Agreement and the Master Definitions Agreement as the Secured Creditor Representative of such Non-Participating YWSF Bondholders and assenting to and authorising the Non-Participating YWSF Bond Trustee to agree such modifications to the Non-Participating YWSF Bond Trust Deed(s) (including the terms and conditions of the Non-Participating YWSF Bonds) applicable to such Class of Non-Participating YWSF Bonds to ensure that, among other things, the Non-Participating YWSF Bondholders of such Class have substantially the same rights to vote in relation to Non-Participating YWSF Bond Voting Matters and Non-Participating YWSF Bond Entrenched Rights as have been accorded to Bondholders in relation to STID Matters in respect of such Non-Participating YWSF Bond Voting Matters and Non-Participating YWSF Bond Entrenched Rights, respectively, in the Bond Trust Deed.

"**Non-Participating YWSF Bondholders**" means the holders from time to time of the Non-Participating YWSF Bonds.

"**Non-Participating YWSF Bond Payment Date**" means each date upon which a payment is made or is scheduled to be made by YWSF or YWS in respect of any Non-Participating YWSF Bonds.

"**Non-Participating YWSF Bond Refusal Date**" means, in respect of any Class of Non-Participating YWSF Bonds, the date on which the Non-Participating YWSF Bond Accession Resolution is put to a meeting of the Non-Participating YWSF Bondholders of such Class and not passed (other than for want of quorum in circumstances where the Non-Participating YWSF Bond Accession Resolution will be put to an adjourned meeting of such Non-Participating YWSF Bondholders).

"**Non-Participating YWSF Bond Required Balance**" means an amount equal to the next 18 months' interest and principal forecast to be due on the Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds), after taking into account anticipated real flow receipts under any Hedging Agreement then in place in respect of any Non-Participating YWSF Bonds.

"**Non-Participating YWSF Bond Reserve Account**" means the account of YWSF titled "Non-Participating YWSF Bond Reserve Account" held at the Account Bank and includes any sub account relating to that account and any replacement from time to time.

"**Non-Participating YWSF Bonds**" means any YWSF Bonds in issue and a primary obligation of YWSF and/or YWS which are not Participating YWSF Bonds (including, unless stated to the contrary, all Exchanged YWSF Bonds).

"**Non-Participating YWSF Bond Trust Deed**" means the YWSF Bond Trust Deed relating to the Non-Participating YWSF Bonds.

"**Non-Participating YWSF Bond Trustee**" means The Law Debenture Trust Corporation p.l.c. or any successor thereto appointed pursuant to the relevant Non-Participating YWSF Bond Trust Deed.

"**Non-Participating YWSF Bond Voting Matter**" is a matter which:

(a) relates to removal of the Security Trustee or appointment of a successor Security Trustee in accordance with Clause 19.6 (*Resignation of Security Trustee*) of the STID;

(b) is the subject of a DIG Proposal and/or DIG Directions Request to terminate or extend Standstill pursuant to Clause 13.4 (*Termination of Standstill*) or Clause 13.5 (*Extension of Standstill*) of the STID; or

(c) is the subject of a STID Matter in respect of the enforcement of any of the Shared Security,

and "**Non-Participating YWSF Bond Voting Matters**" means all of them.

"**Non-YW Financing Group**" means any member of the Kelda Group which is not a member of the YW Financing Group.

"**Notice**" or "**notice**" means, in respect of a notice to be given to Bondholders, a notice validly given pursuant to Condition 17 "*Notices*".

"**Notified Item**" means any item formally notified by Ofwat to YWS as not having been allowed for in full or part in K **provided that** there has been no Periodic Review subsequent to that notification.

"**Notional Amount**" means, in respect of any Finance Lease, a sum, certified by any Authorised Signatory of the relevant Finance Lessor on each Lease Calculation Date and using the relevant Lease Calculation Cashflow relating thereto as being, for the succeeding Test Period commencing on 1 April, the amount shown for each Rental Payment Date falling in that relevant Test Period or, as the case may be, the Pre-Test Period under the headings "interest" and "margin" (or any equivalents thereof (howsoever worded)) in such Lease Calculation Cashflow, together with an amount equal to the VAT on such amount at the rate applicable to rentals payable under the relevant Finance Lease.

"**Notional Fast Money**" means, in respect of a period of time, operating expenditure as set out in YWS's relevant published Final Determination and IRE.

"**O&M Reserve**" means the amounts standing to the credit of the O&M Reserve Accounts.

"**O&M Reserve Accounts**" means the account of YWS and the Issuer entitled "O&M Reserve Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account or accounts from time to time.

"**O&M Reserve Facility**" means any operation and maintenance reserve liquidity facility made available under a Liquidity Facility Agreement.

"**O&M Reserve Facility Agreement**" means the O&M Reserve Facility Agreement originally entered into between, *inter alios*, the Exchange Issuer and certain O&M Reserve Facility Providers on 7 April 2011 as amended and restated on 23 September 2011, as further amended and restated on 26 September 2012 (as may be further as amended and restated from time to time) and renewed from time to time, and to which the Issuer has replaced Yorkshire Water Services Odsal Finance Limited as the Borrower pursuant to the 2018 Reorganisation.

"**O&M Reserve Facility Provider**" means a lender from time to time under an O&M Reserve Facility.

"**O&M Reserve Required Amount**" means not less than:

(a) if the Senior RAR as calculated at the most recently occurring Calculation Date for each Test Period (taking into account the incurrence of any Financial Indebtedness pursuant to paragraph (1) of the definition of Permitted Financial Indebtedness following such Calculation Date) is equal to or lower than 67.5 per cent., zero; and

(b) if the Senior RAR as calculated at the most recently occurring Calculation Date for any Test Period (taking into account the incurrence of any Financial Indebtedness pursuant to paragraph (1) of the definition of Permitted Financial Indebtedness following such Calculation Date) is greater than 67.5 per cent., 10 per cent. of YWS's Projected Operating Expenditure and Capital Maintenance Expenditure for the next succeeding 12 months,

in each case, as determined on 31 March in each year in its budget for that Test Period.

"**Obligors**" means YWH, YWS, the Issuer and YWSF, together with any other entity which accedes to the Finance Documents as an Obligor in accordance with the terms thereof (including any Permitted Subsidiary), and "**Obligor**" means any of them.

"**Official List**" means the official list of the FCA.

"**Ofwat**" means the WSRA including its successor office or body.

"**Operating Accounts**" means each account at the Account Bank specified in the Account Bank Agreement as an Operating Account including any sub-account and any replacement account or other operating accounts from time to time.

"**Order**" means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

"**Other Parties**" means the Hedge Counterparties, the Liquidity Facility Providers, the Authorised Credit Providers, the Finance Lessors, the Agents, the Account Bank, the Standstill Cash Manager and members of the Kelda Group (other than the Obligors).

"**Outsourcing Agreement**" means any agreement pursuant to which YWS sub-contracts, tenders or outsources either the day-to-day operation of its assets, business services and service delivery (including any maintenance expenditure) or acquires technical know-how and access to other Intellectual Property Rights in relation to water services that, in the case of any outsourcing YWS could, if not outsourced, perform itself.

"**Outsourcing Policy**" means the outsourcing policy set out in Schedule 8 (*Outsourcing Policy*) to the Common Terms Agreement (as amended or replaced from time to time).

"**Outstanding**" means, in relation to the Bonds of all or any Sub-Class, all the Bonds of such Sub-Class issued other than:

(a) those Bonds which have been redeemed pursuant to the Bond Trust Deed;

(b) those Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption monies (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Bondholders in accordance with Condition 17 "*Notices*") and remain available for payment against presentation of the relevant Bonds and/or Receipts and/or Coupons;

(c) those Bonds which have been purchased and cancelled in accordance with Conditions 8(e) "*Purchase of Bonds*" and 8(g) "*Cancellation*";

(d) those Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 13 "*Prescription*";

(e) those mutilated or defaced Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 "*Replacement of Bonds, Coupons, Receipts and Talons*";

(f) (for the purpose only of ascertaining the nominal amount of the Bonds outstanding and without prejudice to the status for any other purpose of the relevant Bonds) those Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 "*Replacement of Bonds, Coupons, Receipts and Talons*"; and

(g) in the case of Bearer Bonds, any Global Bond to the extent that it has been exchanged for Definitive Bearer Bonds or another Global Bond and, in the case of Registered Bonds, any Registered Global Bond to the extent that it has been exchanged for Definitive Registered Bonds, and, in each case, pursuant to its provisions, the provisions of the Bond Trust Deed and the Agency Agreement,

PROVIDED THAT for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the holders of the Bonds of any Sub-Class;

(ii) the determination of how many and which Bonds of any Sub-Class are for the time being outstanding for the purposes of Condition 15 "*Meetings of Bondholders, Modification, Waiver and Substitution*", Clause 9 (*Voting, Instructions and Notification of Outstanding Principal Amount of Qualifying Debt*) of the STID and Paragraphs 2, 5, 6 and 13 of Part A of Schedule 4 to the Bond Trust Deed;

(iii) any discretion, power or authority (whether contained in the Bond Trust Deed or vested by operation of law) which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Bonds of any Sub-Class; and

(iv) the determination by the Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Bonds of any Sub-Class,

those Bonds of the relevant Sub-Class (if any) which are for the time being held by or on behalf of the Issuer, the other Obligors, any Subsidiary of the Issuer or the other Obligors, or any Associate of the Issuer or the other Obligors (other than any Associate which is a licensed or regulated financial institution which holds Bonds in the ordinary course of its business), in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain Outstanding.

"**Outstanding Principal Amount**" means, as at any date that the same falls to be determined:

(a) in respect of Wrapped Bonds and the YWSF Wrapped Bonds (unless an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of such Wrapped Bonds or, as the case may be, YWSF Wrapped Bonds), aggregate of any unpaid amounts owing to a Financial Guarantor under a G&R Deed to reimburse it for any amount paid by it under a Financial Guarantee in respect of unpaid principal on such Wrapped Bonds or, as the case may be, YWSF Wrapped Bonds and the Principal Amount Outstanding (or the Equivalent Amount) under such Wrapped Bonds or, as the case may be, YWSF Wrapped Bonds (including, any premium);

(b) in respect of Wrapped Bonds and the YWSF Wrapped Bonds (if an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of such Wrapped Bonds or, as

the case may be, YWSF Wrapped Bonds), the Principal Amount Outstanding (or the Equivalent Amount) of such Wrapped Bonds or, as the case may be, YWSF Wrapped Bonds (including any premium);

(c) in respect of Unwrapped Bonds, the Principal Amount Outstanding (or the Equivalent Amount) of such Unwrapped Bonds;

(d) in respect of YWSF Unwrapped Bonds, the Principal Amount Outstanding (or the Equivalent Amount) of such YWSF Unwrapped Bonds;

(e) in respect of Non-Participating YWSF Bonds, the Principal Amount Outstanding (or the Equivalent Amount) of such Non-Participating YWSF Bonds;

(f) in respect of any other Unwrapped Debt, the principal amount outstanding (or the Equivalent Amount) of such Unwrapped Debt;

(g) in respect of each Finance Lease, the Equivalent Amount of either: (i) prior to an Acceleration of Liabilities (other than a Permitted Lease Termination or a Permitted EIB Compulsory Prepayment Event) under such Finance Lease and subject to any increase or reduction calculated in accordance with Clause 9.9 (*Notification of Outstanding Principal Amount of Qualifying Debt*) of the STID, the highest termination value which may fall due during the Rental Period encompassing such date, calculated upon the assumptions set out in the cashflow report provided by the relevant Finance Lessor on the first day of each such Rental Period (or in the most recently generated cashflow report which is current on such date); or (ii) following any Acceleration of Liabilities (other than a Permitted Lease Termination or a Permitted EIB Compulsory Prepayment Event) under such Finance Lease, the actual amount (if any) that would be payable to the relevant Finance Lessor in respect of a termination of the leasing of the Equipment on the date of such Acceleration of Liabilities (other than a Permitted Lease Termination or a Permitted EIB Compulsory Prepayment Event);

(h) in respect of each Hedging Agreement, the Equivalent Amount of the amount (if any) that would be payable to the relevant Hedge Counterparty if an early termination date was designated on such date in respect of the transaction or transactions arising under the Hedging Agreement pursuant to the ISDA Master Agreement governing such transaction or transactions and subject to the overriding provisions contained in the Common Terms Agreement and/or the STID; and

(i) in respect of any other Secured Liabilities not covered elsewhere, the Equivalent Amount of the outstanding principal amount of such debt on such date in accordance with the relevant Finance Documents,

all as most recently certified or notified to the Security Trustee, pursuant to Clause 9.9 (*Notification of Outstanding Principal Amount of Qualifying Debt*) of the STID.

"**Out-turn Inflation**" means, in respect of any period for which the relevant indices have been published, the actual inflation rate applicable to such period determined by reference to movements in the UK Retail Price Index adjusted, as appropriate, in the case of capital additions, for any divergence between the actual movement of national construction costs, as evidenced by the Construction Output Price Index (or such other index as Ofwat may specify for the purposes of Instrument of Appointment Condition B or otherwise) relative to the UK Retail Price Index from their base levels as used in the most recent Final Determination or interim determination and their relative movement as projected by Ofwat for the purposes of that determination, and, in respect of any period, including future periods, for which the relevant indices have not yet been published, by reference to

forecast rates consistent with the average monthly movement in such indices over the previous 12 months for which published indices are available.

"**Pari Passu Interest Rate Hedging Agreement**" means each Interest Rate Hedging Agreement designated as such in the relevant Accession Memorandum to the STID.

"**Participating Member State**" means a member state of the European Community that adopts or has adopted the euro as its lawful currency under the legislation of the European Union for European Monetary Union.

"**Participating YWSF Bondholders**" means the holders from time to time of the Participating YWSF Bonds.

"**Participating YWSF Bonds**" means any YWSF Bonds in respect of which: (i) the Participating YWSF Bond Trustee is party to or has acceded to the STID as a Secured Creditor Representative and a Class A DIG Representative; and (ii) their terms and conditions have been amended to comply with the Finance Documents on or about the Closing Date or, as the case may be, on or about the date of accession of the Participating YWSF Bond Trustee to the STID in respect thereof.

"**Participating YWSF Bond Trust Deeds**" means the YWSF Bond Trust Deeds relating to Participating YWSF Bonds in each case as amended on or about the date of accession to the STID, Common Terms Agreement and Master Definitions Agreement of the Participating YWSF Bond Trustee in relation to any Class of Participating YWSF Bonds.

"**Participating YWSF Bond Trustee**" means Deutsche Trustee Company Limited or any successor thereto appointed pursuant to the relevant Participating YWSF Bond Trust Deeds.

"**Party**" means, in relation to a Finance Document, a party to such Finance Document.

"**Paying Agents**" means, in relation to all or any Sub-Class of the Bonds, the several institutions (including, where the context permits, the Principal Paying Agent and/or the Registrar) at their respective specified offices initially appointed as paying agents in relation to such Bonds by the Issuer and the other Obligors pursuant to the Agency Agreement and/or, if applicable, any successor paying agents at their respective specified offices in relation to all or any Sub-Classes of the Bonds.

"**Payment Date**" means each date on which a payment is made or is scheduled to be made by an Obligor in respect of any obligations or liability under any Authorised Credit Facility.

"**Payment Priorities**" means the order of priority of the Permitted Payments to be made by YWS on each Payment Date as set out in Chapter 7 "*Overview of the Financing Agreements*" under "*Cash Management*" as adjusted following the termination of a Standstill (other than pursuant to a waiver or revocation by the Majority Creditors or a Secured Creditor (as applicable)) in accordance with Paragraph 9.3 of Schedule 11 (*Cash Management*) to the Common Terms Agreement.

"**Periodic Information**" means the following documents (or documents which include such information):

(a) YWS's annual charges scheme with details of tariffs;

(b) a summary of YWS's strategic business plan at each Periodic Review;

(c) YWS's current Procurement Plan (if any);

(d) YWS's annual drinking water quality report;

(e) YWS's annual environmental report;

(f) YWS's annual conservation and access report; and

(g) such other material periodic information compiled by YWS for Ofwat.

"**Periodic Review**" means the periodic review of price limits as provided for in Instrument of Appointment Condition B, being the process by which annual price limits are set for companies holding appointments as water undertakers or as water and sewerage undertakers.

"**Periodic Review Effective Date**" means the date with effect from which the new price limits will take effect, following a Periodic Review.

"**Periodic Review Period**" means the period commencing on a Periodic Review Effective Date and ending on the next Date Prior.

"**Permanent Global Bond**" means, in relation to any Sub-Class of Bearer Bonds, a global bond in the form or substantially in the form set out in Schedule 2 (*Forms of Global and Definitive Bearer Bonds, Receipts, Coupons and Talons*), Part B (*Form of Permanent Global Bond*) to the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealers, together with the copy of each applicable Final Terms or Drawdown Prospectus (as applicable) annexed thereto, comprising some or all of the Bearer Bonds of the same Sub-Class, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed in exchange for the whole or part of any Temporary Global Bond issued in respect of such Bearer Bonds.

"**Permitted Acquisition**" means any of the following carried out by YWS:

(a) an acquisition (including of Authorised Investments), but not of any company or shares therein, partnership or Joint Venture, made on arm's length terms and in the ordinary course of trade;

(b) an acquisition of assets required to replace surplus, obsolete, worn-out, damaged or destroyed assets which in the reasonable opinion of YWS are required for the efficient operation of its Business or in accordance with the Finance Leases;

(c) an acquisition of assets (but not of any company or shares therein, partnership or Joint Venture) made on arm's length terms entered into for bona fide commercial purposes in furtherance of YWS's statutory and regulatory obligations;

(d) all contracts entered into by YWS from time to time in relation to supplies of electricity, gas or water;

(e) an acquisition of an inset business in the United Kingdom which is or will be included in RCV and which breaches neither the Instrument of Appointment nor the WIA;

(f) an acquisition (including of any shares in a company) made in connection with a Permitted Joint Venture;

(g) the establishment or acquisition of a Permitted Leasing Subsidiary;

(h) an acquisition made with the consent of the Security Trustee; and

(i) the acquisition by the Issuer of the Exchanged YWSF Bonds,

in each case to the extent that such acquisition would not contravene the Instrument of Appointment, the WIA or any requirement under the Instrument of Appointment or WIA.

"**Permitted Book Debt Disposal**" means the disposal of book debts in each financial year with a nominal value of up to 0.1 per cent. of RCV (or a greater amount with the prior consent of the Security Trustee) by YWS on arm's length terms to any person other than an Affiliate, where:

(a) such book debts are sold to a person or persons whose business is the recovery of debts;

(b) YWS has made a prudent provision in its accounts against the non-recoverability of such debts;

(c) any write-back of any provision for non-recoverability arising from the sale can only be treated as operating profit for the purposes of the financial ratios once the relevant recourse period against YWS has expired; and

(d) the YWS Business Financial Model is updated to ensure that the transaction is taken into account in calculating all relevant financial ratios under the Common Terms Agreement.

"**Permitted Disposal**" means any disposal made by YWS (and, in the case of paragraph (o) below, any Permitted Leasing Subsidiary) which:

(a) is made in the ordinary course of trading of the disposing entity or in connection with an arm's length transaction entered into for *bona fide* commercial purposes for the benefit of the Business;

(b) is of assets in exchange for other assets comparable or superior as to type, value and quality;

(c) is of Equipment pursuant to or to be leased under a Finance Lease;

(d) would not result in the Senior RAR, calculated for each Test Period by reference to the most recently occurring Calculation Date (adjusted on a pro-forma basis to take into account the proposed disposal), being more than 0.90:1;

(e) is a disposal for cash on arm's length terms of any surplus or obsolete or worn-out assets which, in the reasonable opinion of YWS, are not required for the efficient operation of its Business and which does not cause a Trigger Event under Paragraph 1, Part 1 (*Trigger Events*) of Schedule 5 (*Trigger Events*) to the Common Terms Agreement;

(f) is made pursuant to the Outsourcing Policy;

(g) is a Permitted Book Debt Disposal;

(h) is a disposal of Protected Land (as that term is defined in the WIA) in accordance with the terms of the Instrument of Appointment;

(i) is a disposal or surrender of tax losses which is a Permitted Tax Loss Transaction;

(j) is the disposal of assets owned by YWS which form part of its Permitted Non-Appointed Business;

(k) is any other disposal which is in accordance with the Instrument of Appointment, **provided that** the consideration (both cash and non-cash) received by YWS (or which would be received by YWS if such disposal was made on arm's length terms for full commercial value to an unconnected third party) in respect of any such disposal when aggregated with all other such disposals by it made in: (i) the immediately preceding 12 month period does not exceed 2.5 per cent. of RCV (or its equivalent); and (ii) in the immediately preceding five-year period does not exceed 10 per cent. of RCV (or its equivalent);

(l) is a disposal of assets to a partnership or a Permitted Joint Venture made on arm's lengths terms entered into for *bona fide* commercial purposes in furtherance of YWS's statutory and regulatory obligations;

(m) is a disposal pursuant to any vehicle purchase or leasing arrangements;

(n) is a disposal of property to Keyland Development **provided that** such disposal is on arm's length terms; or

(o) is a disposal of water assets recorded as fixed assets on the balance sheet of YWS to a Permitted Leasing Subsidiary by way of sale or by way of finance or operating lease arrangements and/or is a disposal pursuant to any lease of such assets granted by a Permitted Leasing Subsidiary to YWS or to another Permitted Leasing Subsidiary,

provided that in each case: (i) such disposal does not cause any of the Trigger Event Ratio Levels to be breached; and (ii) such disposal would not contravene the Instrument of Appointment, the WIA or any requirement under the Instrument of Appointment or WIA.

"**Permitted EIB Compulsory Prepayment Event**" means:

(a) a demand for prepayment of an EIB Authorised Credit Facility by the EIB pursuant to Article 4.03(A) (*Compulsory Prepayment*), or, as the case may be, 4.03(1) (*Compulsory Prepayment*) of the relevant EIB Authorised Credit Finance Contract, together with any amount due under any indemnity relating to such prepayment contained in the relevant EIB Authorised Credit Finance Contract, as calculated in accordance with such EIB Authorised Credit Finance Contract; or

(b) a demand for prepayment or payment of an EIB Authorised Credit Finance Contract entered into after the Closing Date in accordance with compulsory prepayment provisions in respect of project costs therein similar to those mentioned above,

provided that, YWS will not make payment to the EIB of any sums due and payable in respect of such demand for prepayment or payment if: (i) an Acceleration of Liabilities (other than Permitted Hedge Terminations, Permitted Lease Terminations and Permitted EIB Compulsory Prepayment Events in respect of other EIB Authorised Credit Facilities) has occurred; or (ii) a Default Situation is subsisting or would occur as a result of such payment.

"**Permitted Emergency Action**" means any remedial action taken by YWS during an Emergency which is in accordance with the policies, standards and procedures for emergency planning manual (EMPROC) of YWS (as amended from time to time), Ofwat guidance notes and Public Procurement Rules and which YWS considers necessary and which continues only so long as required to remedy the Emergency but in any event no longer than 60 days or such longer period as is agreed by YWS and the Security Trustee.

"**Permitted Existing Non-Appointed Business**" means any business other than the Appointed Business which is carried on by YWS at the Closing Date and: (a) which falls within the Permitted Non-Appointed Business Limits applicable to Permitted Existing Non-Appointed Business; (b) in respect of which all material risks related thereto are insured in accordance with the provisions relating to insurance contained in the Common Terms Agreement; and (c) which does not give rise to any material actual or contingent liabilities for YWS that are not properly provided for in its financial statements.

"**Permitted Financial Indebtedness**" means:

(a) Financial Indebtedness incurred under the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements or the YWSF/YWS Loan Agreements;

(b) Financial Indebtedness incurred by one member of the YW Financing Group to another member if the recipient of that Financial Indebtedness is an Obligor (including in respect of the Exchanged YWSF Bonds);

(c) Financial Indebtedness incurred under any Finance Document as at the Closing Date;

(d) Financial Indebtedness incurred under the Loan Notes;

(e) Financial Indebtedness incurred under a Treasury Transaction, provided that: (i) it is in compliance with the Hedging Policy; or (ii) it is a Treasury Transaction entered into by YWS in the ordinary course of its business to manage risk inherent in its business for non-speculative purposes only and not in respect of any Financial Indebtedness;

(f) Financial Indebtedness incurred under the Non-Participating YWSF Bonds;

(g) any unsecured Financial Indebtedness **provided that**:

(i) the aggregate amount of such Financial Indebtedness does not exceed 0.8 per cent. of RCV at any time; and

(ii) if such unsecured Financial Indebtedness is incurred following the occurrence of the Permitted Non-Participating Financial Indebtedness Trigger whilst any Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds) remain outstanding, the Obligors may not incur any additional Permitted Financial Indebtedness under this paragraph (g) for so long as any Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds) remain outstanding if, as a result of such incurrence, the aggregate Permitted Financial Indebtedness outstanding under paragraphs (f) and (g)(i) above would exceed 0.8 per cent. of RCV at any time;

(h) any Subordinated Debt entered into on or after the Closing Date;

(i) Financial Indebtedness incurred under any Intra-Group Loans;

(j) Financial Indebtedness where only BACS or similar daylight-banking accommodation is provided;

(k) Financial Indebtedness incurred under any Liquidity Facility provided that the provider of such facility is a party to, or has acceded to, the Common Terms Agreement and the STID;

(l) such further Financial Indebtedness incurred by the Issuer, YWSF or YWS that complies with the following conditions:

(i) at the time of incurrence of that Financial Indebtedness (save in respect of Qualifying Indebtedness), no Default is continuing or will arise as a result of the incurrence of such Financial Indebtedness (and in respect of Qualifying Indebtedness, no Event of Default or Potential Event of Default is continuing or will arise as a result of the incurrence of such Qualifying Indebtedness);

(ii) the Financial Indebtedness is made available pursuant to an Authorised Credit Facility the provider of which is a party to, or has acceded to, the Common Terms Agreement and STID;

(iii) as a result of the incurrence of the Financial Indebtedness:

(A) neither YWS, YWSF, nor the Issuer will be in breach of the liquidity facility or financial covenants contained in the Common Terms Agreement;

(B) no Authorised Credit Provider will have substantially better or additional entrenched rights under the STID than those Authorised Credit Providers providing similar Financial Indebtedness of the same class; and

(C) the Hedging Policy shall continue to be complied with in all respects;

(iv) the Financial Indebtedness which is Class A Debt ranks *pari passu* in all respects (but subject to the priorities set out in Paragraph 9 of Schedule 11 (*Cash Management*) of the Common Terms Agreement) with all other Class A Debt in its category of Class A

Debt and the Financial Indebtedness that is Class B Debt ranks *pari passu* in all respects (but subject to the priorities set out in Paragraph 9 of Schedule 11 (*Cash Management*) of the Common Terms Agreement) with all other Class B Debt in its category of Class B Debt;

(v) if such further Financial Indebtedness is Class A Debt or Class B Debt, then the Senior RAR for each Test Period calculated by reference to the then most recently occurring Calculation Date (taking into account the proposed incurrence of such debt) must be less than or equal to:

(A) subject to sub-paragraph (B) below, whilst any Treasury Transaction entered into pursuant to a Type 2 Hedging Agreement remains outstanding, 0.80:1;

(B) whilst any Treasury Transaction entered into pursuant to a Type 2 Hedging Agreement remains outstanding and the incurrence of such further Financial Indebtedness is Required Financial Indebtedness, 0.90:1; and

(C) at all other times, 0.90:1;

provided that this sub-paragraph (v) will not apply to any Qualifying Indebtedness;

(vi) if such further Financial Indebtedness is Class A Debt then the Class A RAR for each Test Period calculated by reference to the then most recently occurring Calculation Date (taking into account the proposed incurrence of such debt) must be less than or equal to:

(A) subject to sub-paragraph (B) below, whilst any Treasury Transaction entered into pursuant to a Type 2 Hedging Agreement remains outstanding, 0.70:1;

(B) whilst any Treasury Transaction entered into pursuant to a Type 2 Hedging Agreement remains outstanding and the incurrence of such further Financial Indebtedness is Required Financial Indebtedness, 0.75:1; and

(C) at all other times, 0.75:1,

and the Class A Adjusted ICR and the Re-profiled Class A Adjusted ICR for each Test Period calculated by reference to the then most recently occurring Calculation Date (taking into account the proposed incurrence of such debt) must each be equal to or greater than 1.30:1, **provided that** this sub-paragraph (vi) will not apply to any Qualifying Indebtedness;

(vii) if the incurrence of such Financial Indebtedness would cause the Senior RAR for each Test Period calculated by reference to the then most recently occurring Calculation Date (taking into account the proposed incurrence of such debt and the incurrence of any other Financial Indebtedness pursuant to this paragraph (l) following such Calculation Date) to exceed 67.5 per cent.:

(A) the Issuer and YWSF shall (and YWS will procure that each of the Issuer and YWSF shall) ensure that the aggregate of: (A) DSR Liquidity Facilities available for drawing in respect of Class A Debt; and (B) amounts standing to the credit of the Class A Debt Service Reserve Accounts of the Issuer and YWS (including the value of any Authorised Investments funded from such amounts) is at least equal to the Class A Required Balance at the time of incurrence of such Financial Indebtedness; and

(B) YWS shall ensure that the aggregate of: (A) O&M Reserve Facilities available for drawing; and (B) amounts standing to the credit of the O&M Reserve Accounts (including the value of any Authorised Investments funded from such amounts) is at least equal to the O&M Reserve Required Amount;

(viii) if such further Financial Indebtedness is incurred under a Finance Lease, the amount of that Financial Indebtedness, when aggregated with all other Financial Indebtedness under Finance Leases, shall not exceed an amount of 15 per cent. of RCV or its equivalent; and

(ix) to the extent that such Financial Indebtedness is to amortise, each Financial Guarantor and the Security Trustee has granted its written consent to such Financial Indebtedness prior to its incurrence; or

(m) such further Financial Indebtedness incurred by any member of the YW Financing Group with the consent of the Security Trustee.

For the purposes of this definition only, the termination sums payable under a Treasury Transaction that has been terminated are not treated as Financial Indebtedness and the occurrence of such event is not construed as the incurrence of Financial Indebtedness.

"**Permitted Hedge Termination**" means the termination of a Hedging Agreement in accordance with the Hedging Agreement and the provisions of Schedule 7 (*Hedging Policy and Overriding Provisions Relating to Hedging Agreements*) of the Common Terms Agreement.

"**Permitted Joint Venture**" means, after the Closing Date, the financing, development, design, carrying out and management by or on behalf of YWS of:

(a) any new Joint Venture in relation to which the aggregate liabilities of YWS (when taken together with the liabilities of YWS under any other Permitted Joint Ventures) are less than or equal to 0.05 per cent. of RCV; or

(b) any new Joint Venture to which the Security Trustee has consented (such consent not to be unreasonably withheld),

in each case, the operation by or on behalf of YWS of that Joint Venture being in accordance with the Common Terms Agreement.

"**Permitted Lease Termination**" means any termination of the leasing of all or any part of the Equipment (or the prepayment of the Rentals arising by reason of such termination) in the following circumstances:

(a) *Total Loss*: Pursuant to any provision of a Finance Lease whereby the leasing of all or any part of the Equipment thereunder will terminate following a total loss of such Equipment save that YWS will not make payment to the relevant Finance Lessor of any sums due and payable under the relevant Finance Lease in respect of such total loss if: (i) an Acceleration of Liabilities (other than Permitted Hedge Terminations, Permitted Lease Terminations in respect of other Finance Leases and Permitted EIB Compulsory Prepayment Events) has occurred: or (ii) a Default Situation is subsisting or would occur as a result of such payment;

(b) *Illegality*: Pursuant to any provision of a Finance Lease which permits the relevant Finance Lessor, or which entitles a Finance Lessor to require YWS, to terminate the leasing of the Equipment thereunder and to require payment of a termination sum or sums where it is unlawful for such Finance Lessor to continue to lease the relevant Equipment save that YWS will not make payment to the relevant Finance Lessor of any sums due and payable under the Finance Lease in respect of such circumstances if either: (i) an Acceleration of Liabilities (other

than Permitted Hedge Terminations, Permitted Lease Terminations in respect of other Finance Leases and Permitted EIB Compulsory Prepayment Events) has occurred; or (ii) a Default Situation is subsisting or would occur as a result of such payment; and

(c) *Voluntary Prepayment/Termination*: Pursuant to any provision of a Finance Lease whereby YWS is or will be entitled or whereby the relevant Finance Lessor upon a YWS credit review is entitled, to voluntarily terminate (and require payment of a termination sum), or prepay all or any part of the Rentals relating to the leasing of all or the relevant Equipment under such Finance Lease, **provided that**: (i) no Acceleration of Liabilities (other than Permitted Hedge Terminations, Permitted Lease Terminations in respect of other Finance Leases and Permitted EIB Compulsory Prepayment Events) has occurred; or (ii) no Default Situation is subsisting or would occur as a result of such prepayment or termination.

"**Permitted Leasing Subsidiary**" means a Subsidiary established by YWS for the purposes of entering into sale and/or leasing arrangements with YWS in respect of water assets of YWS recorded on the balance sheet of YWS as fixed assets **provided that** on or prior to the date of establishment, the requirements set out in the definition of Permitted Subsidiary have been complied with.

"**Permitted New Non-Appointed Business**" means any business other than the Appointed Business and Permitted Existing Non-Appointed Business, **provided that**: (a) such business: (i) is prudent in the context of the overall business of YWS and continues to be prudent for the duration of that Permitted New Non-Appointed Business; (ii) is not reasonably likely to be objected to by Ofwat; and (iii) falls within the Permitted Non-Appointed Business Limits applicable to Permitted Non-Appointed Business; (b) all material risks related thereto are insured in accordance with Good Industry Practice; and (c) such business does not give rise to any material actual or contingent liabilities for YWS that are not or would not be properly provided for in its financial statements.

"**Permitted Non-Appointed Business**" means Permitted Existing Non-Appointed Business and Permitted New Non-Appointed Business.

"**Permitted Non-Appointed Business Limits**" means, in respect of Permitted Non-Appointed Business: (i) the average of Non-Appointed Expenses during the current Test Period and, if applicable, the immediately two preceding Test Periods does not exceed 5 per cent. of Cash Expenses of YWS during such Test Periods; and (ii) the aggregate liabilities of the YW Financing Group in respect of Non-Appointed Business do not exceed 0.75 per cent. of RCV at any time.

"**Permitted Non-Participating Financial Indebtedness Trigger**" means the date upon which the aggregate Permitted Financial Indebtedness of the YW Financing Group under paragraphs (f) and (g)(i) of the definition of Permitted Financial Indebtedness is equal to or less than 0.8 per cent. of RCV at any time.

"**Permitted Payments**" means the application of monies credited to the Debt Service Payment Account in accordance with the Payment Priorities.

"**Permitted Post Closing Events**" means:

(a) payment of transaction fees and expenses, to the extent not paid on the Closing Date; or

(b) payments and other actions by any or all Obligors or other entities to enable YWS to pay certain amounts outstanding under the Acquisition Term Facility and related documentation and the discharge of the security created under such documents; or

(c) any other payments listed in writing by YWS as at the Closing Date and signed by way of approval by the Security Trustee; or

(d) certain payments relating to the 2018 Reorganisation as more fully set out in the Master Definitions Agreement.

"**Permitted Security Interest**" means any security interest falling under paragraphs (a) to (f) (inclusive) below which is created by any Obligor, any security interest falling under paragraphs (g) to (k) (inclusive) below which is created by YWS, the Issuer or YWSF and any security interest falling under paragraphs (l) to (s) (inclusive) below which is created by YWS:

(a) a Security Interest created under the Security Documents or contemplated by the Finance Documents;

(b) any Security Interest specified in the cash management provisions of the Common Terms Agreement, if the principal amount thereby secured is not increased;

(c) a Security Interest comprising a netting or set-off arrangement entered into by a member of the YW Financing Group in the ordinary course of its banking arrangements;

(d) a right of set-off, banker's liens or the like arising by operation of law or by contract by virtue of the provision of any overdraft facility and like arrangements arising as a consequence of entering into arrangements on the standard terms of any bank providing an overdraft;

(e) any Security Interest arising under statute or by operation of law in favour of any government, state or local authority in respect of taxes, assessments or Government charges which are being contested by the relevant member of the YW Financing Group in good faith and with a reasonable prospect of success;

(f) any Security Interest created in respect of any pre-judgment legal process or any judgment or judicial award relating to security for costs, where the relevant proceedings are being contested in good faith by the relevant member of the YW Financing Group by appropriate procedures and with a reasonable prospect of success;

(g) a Security Interest comprising a netting or set-off arrangement entered into under any Hedging Agreement entered into in accordance with the Hedging Policy where the obligations of other parties thereunder are calculated by reference to net exposure thereunder (but not any netting or set-off relating to such Hedging Agreement in respect of cash collateral or any other Security Interest except as otherwise permitted hereunder);

(h) a lien arising under statute or by operation of law (or by agreement having substantially the same effect) and in the ordinary course of business, **provided that** such lien is discharged within 30 days of any member of the YW Financing Group becoming aware that the amount owing in respect of such lien has become due;

(i) a lien in favour of any bank over goods and documents of title to goods arising in the ordinary course of documentary credit transactions entered into in the ordinary course of trade;

(j) a Security Interest created over shares and/or other securities acquired in accordance with the Common Terms Agreement held in any clearing system or listed on any exchange which arise as a result of such shares and/or securities being so held in such clearing system or listed on such exchange as a result of the rules and regulations of such clearing system or exchange;

(k) a Security Interest approved by the Security Trustee, the holder of which has become a party to the STID;

(l) a Security Interest over or affecting any asset acquired on arm's length terms after the Closing Date and subject to which such asset is acquired, if:

(i) such Security Interest was not created in contemplation of the acquisition of such asset;

(ii) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset by a member of the YW Financing Group; and

(iii) unless such Security Interest falls within any of paragraphs (o) to (r) below: (A) such Security Interest is removed or discharged within six months of the date of acquisition of such asset; or (B) the holder thereof becomes a party to the STID;

(m) a Security Interest arising in the ordinary course of business and securing amounts not more than 90 days overdue or, if more than 90 days overdue, the original deferral was not intended to exceed 90 days and such amounts are being contested in good faith;

(n) a Security Interest arising under or contemplated by any Finance Leases, hire purchase agreements, conditional sale agreements or other agreements for the acquisition of assets on deferred purchase terms where the counterparty becomes party to the STID;

(o) a right of set-off existing in the ordinary course of trading activities between YWS and its suppliers or customers (including, but not limited to, any Existing Bulk Water Supply Contracts, any future bulk water supply contracts, or any existing or future gas or electricity supply contracts);

(p) a Security Interest arising on rental deposits in connection with the occupation of leasehold premises in the ordinary course of business;

(q) any retention of title arrangements entered into by YWS in the ordinary course of business;

(r) a Security Interest pursuant to any purchase or leasing of vehicles by YWS; or

(s) in addition to any Security Interests subsisting pursuant to the above any other Security Interests, **provided that** the aggregate principal amount secured by such Security Interests does not at any time exceed 0.2 per cent. of RCV,

to the extent and for so long as, in each case, the creation or existence of such Security Interest would not contravene the terms of the Instrument of Appointment, the WIA or any requirement under the Instrument of Appointment or the WIA.

"**Permitted Share Pledge Acceleration**" means the acceleration by the Secured Creditors (subject to the availability of funds) of their respective claims to the extent necessary to apply proceeds of enforcement of the Share Pledges provided by YWH pursuant to the Security Agreement.

"**Permitted Subsidiary**" means the Issuer, YWSF and any other Subsidiary of YWS from time to time which is established or acquired by YWS pursuant to a Permitted Acquisition and is notified in writing to the Security Trustee prior to the date of such Permitted Acquisition, **provided that**, in each case on or prior to such establishment or acquisition such Permitted Subsidiary has acceded to the Common Terms Agreement, the STID, the Master Definitions Agreement, the Security Agreement, the Bond Trust Deed, the Dealership Agreement, the Agency Agreement, the Account Bank Agreement and the Tax Deed of Covenant as an Obligor in accordance with the provisions of the STID and has satisfied the conditions to such accession as set out in the STID.

"**Permitted Tax Loss Transaction**" means any surrender of tax losses or agreement relating to a Tax benefit or relief (including, for the avoidance of doubt, an election under section 171A or 179A of the Taxation of Chargeable Gains Act 1992 and an exemption of financing income pursuant to Schedule 15 to the Finance Bill 2009 (as brought from the House of Commons on 8 July 2009) (the "**Finance Bill 2009**")) or any other agreement relating to Tax (including, for the avoidance of doubt, the payment of any balancing payment pursuant to and in accordance with the provisions of paragraphs 7A or 7C of Schedule 28AA of the Income and Corporation Taxes Act 1988 or Schedule 15 to the Finance Bill 2009) between:

(a) an Obligor (other than the Issuer) and another Obligor (other than the Issuer); or

(b) an Obligor (other than the Issuer) and any other member of the Kelda Group (not being an Obligor),

in either case in accordance with various provisions to be set out in the Tax Deed of Covenant.

"**Permitted Volume Trading Arrangements**" means contracts entered into by any member of the Kelda Group or any Associate thereof (which, in each case, is not a member of the YW Financing Group) with suppliers for the supply of goods and services to the YW Financing Group on terms that discounts are available as a result of such arrangements, **provided that** any Obligor making use of such arrangements will reimburse the relevant member of the Kelda Group or Associate for any Financial Indebtedness by way of amounts payable by such member of the Kelda Group or Associate to such supplier as a result of such Obligor making use of such arrangements.

"**Potential Event of Default**" means (other than in any Hedging Agreement, where "Potential Event of Default" has the meaning given to it in that Hedging Agreement) an event which would be (with the expiry of a grace period, the giving of notice or the making of any determination under the Finance Documents or any combination of them) an Event of Default.

"**Potential Trigger Event**" means any event which would (with the expiry of any relevant grace period or the giving of notice or any combination thereof) if not remedied or waived become a Trigger Event.

"**Pre-Test Period**" means the period from the Closing Date up to 31 March 2010.

"**Principal Amount Outstanding**" means, in relation to a Participating YWSF Bond, a Non-Participating YWSF Bond, a Bond, Sub-Class or Class, the original face value thereof (in relation to any Indexed Bonds or any Participating YWSF Bonds or Non-Participating YWSF Bonds which are index-linked bonds, under the applicable terms and conditions, as adjusted in accordance with the Conditions or, as the case may be, the applicable terms and conditions of the Participating YWSF Bonds or, as the case may be, the Non-Participating YWSF Bonds (including in respect of any disenfranchisement provisions contained therein) less any repayment of principal made to the holder(s) thereof in respect of such Participating YWSF Bond, Non-Participating YWSF Bond, Bond, Sub-Class or Class.

"**Principal Paying Agent**" means Deutsche Bank AG, London Branch under the Agency Agreement, or its Successors thereto.

"**Procurement Plan**" means the procurement plan (if any) prepared and amended from time to time by YWS in accordance with its obligations under the Instrument of Appointment after notifying the Security Trustee and consulting with the Security Trustee.

"**Profiling Adjustment**" means, in respect of a period of time, any adjustment (positive or negative) specified in the Final Determination for the applicable period in which the adjustments are to be applied pursuant to such Final Determination with the purpose or effect of smoothing, profiling or spreading cashflows over time.

"**Programme**" means the £8,000,000,000 guaranteed bond programme established by the Issuer admitted to the Official List and to the London Stock Exchange.

"**Projected Operating Expenditure**" means at any time, the operating expenditure projected in the operating budget for the Test Period in which such date falls.

"**Prospectus**" means any prospectus prepared by or on behalf of, and approved by, the Issuer in connection with the establishment of the Programme and/or the issue of the Bonds, or any Drawdown

Prospectus, information memorandum or Prospectus prepared by or on behalf of and approved by the Issuer in connection with the general syndication in the interbank market of any Authorised Credit Facility.

"**Prospectus Regulation**" means Regulation (EU) 2017/1129 of the European Parliament and of the Council, published on 14 June 2017.

"**Protected Land**" means (as the term is defined in the WIA), in relation to a Regulated Company, any land which, or any interest or right in or over land which:

(a) was transferred to that company in accordance with a scheme under Schedule 2 to the Water Act 1989 or, where that company is a statutory water company (as defined in Section 219 of the WIA), was held by that company at any time during the financial year ended 31 March 1990;

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

(c) has been transferred to that company in accordance with a scheme under Schedule 2 to the WIA from another company in relation to which that land was protected when the other company held an Instrument of Appointment,

as such definition may be amended by statute or law.

"**PTP Amount**" means an amount equal to $^{1}/_{8}^{th}$ of YWS's Annual Finance Charge for the Pre-Test Period.

"**Public Procurement Rules**" means public procurement rules of the United Kingdom (including the Utilities Contracts Regulations 1996 (SI 1996/2911) as amended by the Utilities Contracts (Amendment) Regulations 2001 (SI 2001/2418)) and of the European Communities (including Directive 93/98 as amended by Directive 98/4) affecting the water and sewerage sector and including any jurisprudence of the courts of the United Kingdom and of the European Communities and decisions of the European Commission in respect of such rules.

"**Qualifying Class A Debt**" means the aggregate Outstanding Principal Amount of: (i) Class A Debt; and (ii) Non-Participating YWSF Bonds, in each case, entitled to be voted by the relevant Class A DIG Representative in the Class A DIG (subject at all times to the qualifications and provisos set out in the definition of Class A DIG) (other than the Outstanding Principal Amount of any Class A Debt or Non-Participating YWSF Bonds of any Subordinated Secured Creditors, provided that the Bondholders, the Participating YWSF Bondholders and the Non-Participating YWSF Bondholders shall not be Subordinated Secured Creditors except in respect of any Subordinated Classes).

"**Qualifying Class A Debt Provider**" means a provider of Qualifying Class A Debt.

"**Qualifying Class B Debt**" means the aggregate Outstanding Principal Amount of Class B Debt entitled to be voted by the Class B DIG Representatives (subject at all times to the qualifications and provisos set out in the definition of Class B DIG) (other than the Outstanding Principal Amount of any Class B Debt of any Subordinated Secured Creditors, provided that the Bondholders shall not be Subordinated Secured Creditors except in respect of any Subordinated Classes).

"**Qualifying Class B Debt Provider**" means a provider of Qualifying Class B Debt.

"**Qualifying Debt**" means the Qualifying Class A Debt and the Qualifying Class B Debt.

"**Qualifying Debt Provider**" means a Qualifying Class A Debt Provider or, as the case may be, a Qualifying Class B Debt Provider.

"**Qualifying Indebtedness**" means Financial Indebtedness:

(a) incurred under a revolving credit facility which is being rolled over and immediately re-borrowed at the end of the relevant interest period; or

(b) incurred under any Authorised Credit Facility which was originally entered into when no Trigger Event had occurred and was continuing and for these purposes, any such Authorised Credit Facility may be amended, restated or have its term extended when a Trigger Event or Potential Trigger Event is continuing, provided such amendment, restatement or extension does not increase the total principal amount committed under such Authorised Credit Facility; and/or

(c) which is Refinancing Indebtedness.

"**RAG 5**" means the Regulatory Accounting Guideline 5 first issued by Ofwat in April 1997 then revised in March 2000 and March 2005.

"**Rating Agencies**" means Moody's, S&P and Fitch and any further or replacement rating agency appointed by the Issuer or YWSF with the approval of the Security Trustee (acting upon the instructions of the Majority Creditors in accordance with the terms of the STID) to provide a credit rating or ratings for the Class A Debt and the Class B Debt and underlying ratings in respect of Class A Wrapped Bonds, the YWSF Wrapped Bonds and the Class B Wrapped Bonds for so long as they are willing and able to provide credit ratings generally (and "**Rating Agency**" means any one of them).

"**Rating Requirement**" means confirmation from any two Rating Agencies or, where expressly stated, all Rating Agencies then rating the Bonds that, in respect of any matter where such confirmation is required, the shadow rating is, in the case of the Class A Wrapped Bonds, BBB by S&P, Baa2 by Moody's and BBB by Fitch or above and the credit rating is, in the case of the Class A Unwrapped Bonds, BBB by S&P, Baa2 by Moody's and BBB by Fitch or above.

"**Receipt**" means a receipt attached on issue to a Definitive Bearer Bond redeemable in instalments for the payment of an instalment of principal and includes any replacements for Receipts or Talons issued pursuant to Condition 14 "*Replacement of Bonds, Coupons, Receipts and Talons*".

"**Receiptholders**" means the persons who are for the time being holders of the Receipts.

"**Recognised Ofwat Mechanism**" means any of: (i) logging up of RCV, where Ofwat has approved the relevant Capital Expenditure and the Reporter has reviewed and validated the cost of such Capital Expenditure (including on an intra-AMP Period basis); or (ii) an interim determination, where a Relevant Change of Circumstance (as defined in Part IV of Instrument of Appointment Condition B) of the Instrument of Appointment has, in the reasonable opinion of YWS, arisen; or (iii) any other similar mechanism as agreed from time to time between Ofwat and YWS.

"**Reference Bank**" has the meaning given to that term in the relevant Finance Document, **provided that** if no Reference Bank is specified in the relevant Finance Document, the Reference Bank shall be The Royal Bank of Scotland plc or any other two reference banks.

"**Refinancing Indebtedness**" means Financial Indebtedness incurred by any member of the YW Financing Group where a Trigger Event is continuing or will arise as a result of the incurrence of such Financial Indebtedness, where the incurrence of further Financial Indebtedness by the YW Financing Group is for the purposes of refinancing any Authorised Credit Facilities or any existing Financial Indebtedness that are due to expire, mature, terminate and/or be redeemed within 12 months from the date of such incurrence (and, for these purposes, including any fees, costs or expenses which arise or are incurred in connection with such refinancing) ("**Refinancing**"), provided that:

(a) the incurrence of new Financial Indebtedness for Refinancing shall not exceed an amount equal to the nominal amount outstanding in respect of the Financial Indebtedness to be refinanced

plus all indexation accrued but unpaid on such Financial Indebtedness which is indexed together with any interest due and unpaid and any fees, costs or expenses which arise or are incurred in connection with such refinancing;

(b) that such Financial Indebtedness is not incurred at a time where an Event of Default or Potential Event of Default is continuing or would arise as a result of the incurrence of such Financial Indebtedness;

(c) the incurrence of such Financial Indebtedness satisfies the conditions in sub-paragraphs (l)(i) to (iv) (inclusive) of the definition of "Permitted Financial Indebtedness".

"**Register**" means a register of the Bondholders of a Sub-Class of Registered Bonds.

"**Registered Bonds**" means those of the Bonds which are for the time being in registered form.

"**Registered Global Bond**" means a Registered Bond in global form in the form or substantially in the form set out in Part A (Form of Registered Global Bond) of Schedule 3 to the Bond Trust Deed, together with such modifications (if any) as may be agreed between the Issuer (as the case may be), the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), together with the copy of each applicable Final Terms or Drawdown Prospectus (as applicable) annexed thereto, comprising some or all of the Registered Bonds of the same Sub-Class sold outside the United States in reliance on Regulation S under the Securities Act, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer (as the case may be) and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed.

"**Registrar**" means Deutsche Bank Luxembourg S.A. as a registrar under the Agency Agreement and any other entity appointed as a registrar under the Agency Agreement.

"**Regulated Company**" means a company appointed as a water undertaker or a water and sewerage undertaker under section 6 of the WIA.

"**Regulation S**" has the meaning given to such term under the Securities Act.

"**Regulatory Capital Value**" or "**RCV**" means, in relation to any date, the regulatory capital value for such date as last determined (excluding any draft determination of the regulatory capital value by Ofwat) and notified to YWS and, if applicable, any Permitted Subsidiary established or acquired pursuant to paragraph (g) of the definition of Permitted Acquisition, by Ofwat at the most recent Periodic Review or interim determination or in the most recent annual statement of regulatory capital values issued by Ofwat to all regulatory directors of water and sewerage companies and water only companies (the "**Annual RCV Update**") or other procedure through which in future Ofwat may make such determination on an equally definitive basis to that of a Periodic Review, interim determination or Annual RCV Update (interpolated as necessary and adjusted as appropriate for Out-turn Inflation) **provided that** "RCV" for the purposes of calculating the Senior RAR or Class A RAR for any Test Period for which there is no Final Determination shall be YWS's good faith, present estimate of its (and, if applicable, any Permitted Subsidiary established or acquired pursuant to paragraph (g) of the definition of Permitted Acquisition) regulatory capital value on the last day of such Test Period.

"**Relevant Change of Circumstance**" means a "Relevant Change of Circumstance" as defined in Part IV of Instrument of Appointment Condition B.

"**Relevant Date**" has the meaning set out in Condition 6(l) "*Definitions*".

"**Remedial Plan**" means any remedial plan agreed by YWS and the Security Trustee under Part 2 (*Trigger Event Consequences*) of Schedule 5 (*Trigger Events*) of the Common Terms Agreement.

"**Rental**" means any scheduled payment of rental, periodic charge or equivalent sum under a Finance Lease.

"**Rental Payment Date**" means any date on which Rental is scheduled to be paid under any Finance Lease.

"**Rental Period**" means, in respect of a Finance Lease, each period falling between two consecutive Rental Payment Dates under such Finance Lease.

"**Reporter**" means the reporter appointed by YWS in accordance with Instrument of Appointment Conditions B and C.

"**Re-profiled Class A Adjusted ICR**" means, in respect of a Test Period, the ratio of:

(a) Net Cash Flow less:

(i) Depreciation;

(ii) IRE not already deducted in the calculation of Net Cash Flow or Depreciation;

(iii) Fast/Slow Adjustment; and

(iv) Profiling Adjustment,

during such Test Period in each case without double-counting; to

(b) Class A Debt Interest during such Test Period.

"**Re-profiled Class A Average Adjusted ICR**" means:

(a) the sum of the ratios of:

(i) Net Cash Flow less:

(A) Depreciation;

(B) IRE not already deducted in the calculation of Net Cash Flow or Depreciation;

(C) Fast/Slow Adjustment; and

(D) Profiling Adjustment,

in each case without double-counting; to

(ii) Class A Debt Interest,

for each of the Test Periods comprised in a Rolling Average Period,

(b) divided by three.

"**Re-profiled Class A ICR**" means the ratio of Re-profiled Net Cash Flow for each Test Period to Class A Debt Interest for each of the same Test Periods.

"**Re-profiled Net Cash Flow**" means the Net Cash Flow *plus* the Profiling Adjustment.

"**Re-profiled Senior Adjusted ICR**" means, in respect of a Test Period, the ratio of:

(a) Net Cash Flow *less*:

(i) Depreciation;

(ii) IRE not already deducted in the calculation of Net Cash Flow or Depreciation;

(iii) Fast/Slow Adjustment; and

(iv) Profiling Adjustment,

during such Test Period in each case without double-counting; to

(a) Senior Debt Interest during such Test Period.

"**Re-profiled Senior Average Adjusted ICR**" means:

(a) the sum of the ratios of:

(i) Net Cash Flow *less*:

(A) Depreciation;

(B) IRE not already deducted in the calculation of Net Cash Flow or Depreciation;

(C) Fast/Slow Adjustment; and

(D) Profiling Adjustment,

in each case without double-counting; to

(ii) Senior Debt Interest,

for each of the Test Periods comprised in a Rolling Average Period,

(b) divided by three.

"**Required Balance**" means, on any Payment Date, the aggregate of the Class A Required Balance and the Class B Required Balance.

"**Required Financial Indebtedness**" means Financial Indebtedness which is required to be incurred by the Issuer, YWSF or YWS pursuant to paragraphs (l)(v)(B) and (l)(vi)(B) of the definition of Permitted Financial Indebtedness in order to enable YWS to make payment of any amount due pursuant to paragraphs (ii) to (xxi) of the Payment Priorities in circumstances where YWS has insufficient funds available to make such payment (after utilising amounts standing to the credit of the Compensation Account, the Debt Service Payment Account, the Operating Accounts, the Debt Service Reserve Accounts, the Non-Participating YWSF Bond Reserve Account and amounts available under any DSR Liquidity Facility in accordance with the provisions of Schedule 11 (*Cash Management*) of the Common Terms Agreement) provided that the incurrence of such Financial Indebtedness is otherwise in compliance with paragraph (l) of the definition of Permitted Financial Indebtedness **and provided** that the terms of any such Required Financial Indebtedness contain provisions requiring such Financial Indebtedness to amortise until such time as it has been repaid in full no less frequently than annually to the extent of any excess cash flow of the YW Financing Group in respect of the period from one Calculation Date to the next Calculation Date (such excess cash flow to be determined on the basis of the operating profit of the YW Financing Group adjusted in accordance with usual principles after making usual deductions including, without limitation, in respect of debt service obligations as they fall due, tax liabilities and capital expenditure in respect of such period).

"**Reserved Matters**" means matters which, subject to the Intercreditor Arrangements, a Secured Creditor is free to exercise in accordance with its own facility arrangements and not by the direction of the Majority Creditors as more particularly described in the STID and set out in Chapter 7 "*Overview of the Financing Agreements*".

"**Restricted Payment**" means any Distribution, Deferral of K or any payment under the Subordinated Debt other than:

(a) any payment under any Authorised Credit Facility in accordance with the provisions of the Common Terms Agreement and the STID;

(b) a payment made under a Permitted Tax Loss Transaction;

(c) any Permitted Post Closing Event; or

(d) an Intra-Group Debt Service Distribution.

"**Restricted Payment Condition**" means each of the conditions which must be satisfied or waived by the Security Trustee before a Restricted Payment may be made by the Issuer, YWSF or YWS.

"**Revolving Credit Facility**" means any revolving credit facility entered into from time to time by YWS to fund YWS's working capital requirements.

"**Rights**" means all rights vested in the Security Trustee by virtue of, or pursuant to, its holding the interests conferred on it by the Security Documents or under the Ancillary Documents and all rights to make demands, bring proceedings or take any other action in respect of such rights.

"**Ring-fenced Proceeds**" means the aggregate of all receipts or recoveries by the Security Trustee pursuant to, or upon enforcement of, any of the Rights relating to the Ring-fenced Security after deducting (to the extent not already deducted or retained prior to such receipt or recovery by the Security Trustee) all sums which the Security Trustee is required under the Finance Documents or by applicable law to pay to any other person before distributing any such receipts or recoveries to any of the Secured Creditors.

"**Ring-fenced Secured Creditor**" means the Security Trustee (in its own capacity and on behalf of the other Ring-fenced Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Bondholders), the Participating YWSF Bond Trustee (in its own capacity and on behalf of the relevant Participating YWSF Bondholders), the Bondholders, the Participating YWSF Bondholders, each Financial Guarantor, each Finance Lessor, the Hedge Counterparties, the Issuer, YWSF, the Account Bank, the Liquidity Facility Agents, the Senior Facilities Agent, the Senior Facilities Arrangers, the Initial Issuing Bank, any Liquidity Facility Arrangers, each Liquidity Facility Provider, the Existing Authorised Credit Providers and each other Authorised Credit Provider, the Cash Manager (other than when the Cash Manager is YWS), the Standstill Cash Manager, each Agent, and any Additional Secured Creditors (other than any Non-Participating YWSF Bond Trustee and any Non-Participating YWSF Bondholders).

"**Ring-fenced Security**" means the security constituted by the Security Documents including any Guarantee or obligation to provide cash collateral or further assurance thereunder, in each case created or provided by a Ring-fenced Chargor.

"**Rolling Average Period**" means, on each Calculation Date, the Test Period ending on 31 March that falls in the same calendar year as that Calculation Date and the next subsequent two consecutive Test Periods, save that, where the test comes to be calculated at a time when information is not available in respect of any forward-looking Test Period (as a result of Ofwat's determination of price limits for a Periodic Review not having been published in draft or final form), then such Rolling Average Period will be the three 12 month periods which run consecutively backwards and/or forwards from such Calculation Date for which such information is available for the last Test Period in such calculation.

"**RPI Linked Hedging Agreements**" means a Hedging Agreement with a Hedge Counterparty in respect of one or more Treasury Transactions to hedge payments to be made by the Issuer, YWSF or, as the case may be, YWS by reference to RPI.

"**S&P**" means S&P Global Ratings, acting through S&P Global Ratings UK Limited or any entity that is part of the group to which S&P Global Ratings UK Limited or its successor belongs.

"**Saltaire Consortium**" means the consortium led by Citi Infrastructure Investors, the Government of Singapore Investment Corporation and the Infracapital Partners LP, and acting through its acquisition vehicle, Saltaire Water Limited.

"**Second Kelda Holdco Loan**" means the £1,047,000,000 intercompany loan agreement between YWS (as lender) and Kelda Holdco Limited dated on the Closing Date, and subsequently novated by Kelda Holdco Limited to Kelda Junior Holdco Limited (as borrower) on 22 December 2014; novated by Kelda Junior Holdco Limited to Kelda Buffer Limited (as borrower) on 22 December 2014; novated by Kelda Buffer Limited to Kelda Non-Reg Holdco Limited (as borrower) on 22 December 2014; novated by Kelda Non-Reg Holdco Limited to Kelda Eurobond Co Limited (as borrower) on 26 March 2015.

"**Secretary of State**" means one of His Majesty's principal secretaries of state.

"**Section 19 Undertaking**" means an undertaking given by a Regulated Company to secure or facilitate compliance with a licence condition or a relevant statutory or other requirement and which is capable of direct enforcement under the WIA.

"**Secured Creditor**" means each Ring-fenced Secured Creditor and each Shared Secured Creditor.

"**Secured Creditor Representative**" means:

(a) in respect of the Bondholders, the Bond Trustee;

(b) in respect of the Participating YWSF Bondholders, the Participating YWSF Bond Trustee;

(c) in respect of the EIB Authorised Credit Facilities, the EIB;

(d) in respect of the Senior Facilities Arrangers, the Senior Facilities Agent;

(e) in respect of the Issuer/YWS Loan Agreements, the Issuer/YWS Bond Loan Agreements and the YWSF/YWS Loan Agreements, the Security Trustee (on behalf of the Issuer or, as the case may be, YWSF);

(f) in respect of any Liquidity Facility Provider, the Facility Agent under the relevant Liquidity Facility Agreement;

(g) in respect of each of the Hedge Counterparties, the relevant Hedge Counterparty;

(h) in respect of each Class of Non-Participating YWSF Bonds, the Non-Participating YWSF Bond Trustee from and including the relevant Non-Participating YWSF Bond Accession Date (if any);

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

(j) in respect of any Additional Secured Creditor, the representative of such Additional Secured Creditor (if any) appointed as its Secured Creditor Representative under the terms of the relevant Finance Document and named as such in the relevant Accession Memorandum.

"**Secured Liabilities**" means all liabilities incurred by any Obligor to a Secured Creditor pursuant to the Finance Documents as more particularly described in the Master Definitions Agreement.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Security**" means the Ring-fenced Security and the Shared Security.

"**Security Agreement**" means the deed of charge and guarantee executed in favour of the Security Trustee by each of the Obligors on the Closing Date, as so supplemented from time to time.

"**Security Assets**" means all property, assets, rights and undertakings the subject of the Security created by the Obligors (in their capacity as chargors) pursuant to any Security Document, together with the Rights relating thereto.

"**Security Documents**" means:

(a) the Security Agreement;

(b) the STID, any deed of accession thereto and any deed supplemental thereto; and

(c) any other document evidencing or creating security over any asset of an Obligor to secure any obligation of any Obligor to a Secured Creditor under the Finance Documents.

"**Security Interest**" means:

(a) any mortgage, pledge, lien, charge, assignment or hypothecation, or other encumbrance securing any obligation of any person;

(b) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

(c) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

"**Security Trustee**" means Deutsche Trustee Company Limited or any successor appointed pursuant to the STID.

"**Senior Adjusted ICR**" means, in respect of a Test Period, the ratio of Net Cash Flow less the aggregate of CCD and IRC during such Test Period to Senior Debt Interest during such Test Period.

"**Senior Average Adjusted ICR**" means the sum of the ratios of Net Cash Flow less the aggregate of CCD and IRC to Senior Debt Interest for each of the Test Periods comprised in a Rolling Average Period divided by three.

"**Senior Debt**" means all Class A Debt and Class B Debt and any other Financial Indebtedness ranking in priority to Subordinated Debt of any member of the YW Financing Group.

"**Senior Debt Interest**" means, in relation to any Test Period, and without double counting, an amount equal to the aggregate of:

(a) all interest, fees or commissions paid, due but unpaid or, in respect of forward-looking ratios, payable, on the YW Financing Group's obligations under or in connection with all Senior Debt, any Permitted Financial Indebtedness which is unsecured and all Non-Participating YWSF Bonds (other than the Exchanged YWSF Bonds and other than any Intra-Group Loans);

(b) all fees paid, due but unpaid or, in respect of forward-looking ratios, payable, to any Financial Guarantor of Wrapped Bonds or, as the case may be, YWSF Wrapped Bonds; and

(c) Adjusted Lease Reserve Amounts or Lease Reserve Amounts paid, due but unpaid or, in respect of forward-looking ratios, payable, on the YW Financing Group's obligations under and in connection with all Senior Debt,

in each case during such Test Period (after taking account of the impact on interest rates of all related Hedging Agreements then in force (excluding, for the purposes of calculating the Re-profiled Senior Adjusted ICR, the Senior Adjusted ICR, the Re-profiled Senior Average Adjusted ICR and the Senior Average Adjusted ICR only in respect of any forward looking element of a Test Period, in respect of any Type 2 Hedging Agreement, the impact on interest rates of such Type 2 Hedging Agreement))

(excluding all indexation of principal, amortisation of the costs of issue of any Senior Debt or Non-Participating YWSF Bonds within such Test Period and all other costs incurred in connection with the raising of such Senior Debt or issue of Non-Participating YWSF Bonds) less all interest received or in respect of forward-looking ratios, receivable by any member of the YW Financing Group from a third party during such period (excluding any interest received or receivable by YWS under any Intra-Group Loan or any loan or other forms of Financial Indebtedness to Affiliates).

"**Senior Debt Provider**" means a provider of, or Financial Guarantor of, Senior Debt.

"**Senior Facilities Agent**" means the entity appointed as Facility Agent under the Senior Facilities Agreement.

"**Senior Facilities Agreement**" means the senior facilities agreement originally dated 26 November 2007 as amended and restated from time to time between, among others, YWS and the Senior Facilities Agreement Providers as arrangers pursuant to which the Senior Facilities Agreement Providers have agreed to make available certain facilities for YWS.

"**Senior Facilities Agreement Providers**" means certain financial institutions named as lenders under the Senior Facilities Agreement.

"**Senior Facilities Arrangers**" means certain financial institutions named as arrangers under the Senior Facilities Agreement.

"**Senior Net Indebtedness**" means, as at any date, the aggregate of the YW Financing Group's nominal debt outstanding (or, in respect of a future date, forecast to be outstanding) on such date under and in connection with any Senior Debt together with all indexation accrued on such liabilities which are indexed;

(a) including:

(i) accretions by indexation to the notional amount under any RPI Linked Hedging Agreement; and

(ii) the nominal amount of any Financial Indebtedness pursuant to paragraphs (f) and (g) of the definition of Permitted Financial Indebtedness (excluding the Exchanged YWSF Bonds); and

(b) excluding:

(i) any un-crystallised mark to market amount relating to any Hedging Agreement; and

(ii) the Exchanged YWSF Bonds and Financial Indebtedness outstanding under any Intra-Group Loans,

less:

the value of all Authorised Investments and other amounts standing to the credit of any Account (other than any Excluded Accounts and other than an amount equal to the aggregate of any amounts which represent Deferrals of K or Distributions which have been declared but not paid on such date), **provided that**, in each case above, where such debt is denominated other than in pounds sterling, the nominal amount outstanding will be calculated: (i) in respect of debt with an associated Currency Hedging Agreement, by reference to the applicable hedge rates specified in the relevant Currency Hedging Agreement; and (ii) in respect of debt with no associated Currency Hedging Agreement, by reference to the Exchange Rate on such date.

"**Senior RAR**" means, on any Calculation Date the ratio of Senior Net Indebtedness to RCV as at such Calculation Date or, in the case of any forward-looking ratios for Test Periods ending after such Calculation Date, as at the 31 March falling in such Test Period.

"**Series**" means a series of Bonds issued under the Programme on a particular Issue Date, together with any Tranche or Tranches of Bonds which are expressed to be consolidated and form a single Sub-Class with any previously issued Sub-Class.

"**Settlement and Acknowledgement Deed**" means the settlement and acknowledgement deed dated on the Closing Date between, among others, the Security Trustee, the Issuer, YWS, YWSF, and YWH.

"**Share Pledges**" means the pledges dated on the Closing Date or the date of accession of the Issuer (as applicable), in favour of the Security Trustee, over the shares in YWS and the Issuer. "**Share Pledge**" means any one of them.

"**Shared Proceeds**" means the aggregate of all receipts or recoveries by the Security Trustee pursuant to, or upon enforcement of, any of the Rights relating to the Shared Security after deducting (to the extent not already deducted or retained prior to such receipt or recovery by the Security Trustee) all sums which the Security Trustee is required under the Finance Documents or by applicable law to pay to any other person before distributing any such receipts or recoveries to any of the Secured Creditors.

"**Shared Secured Creditor**" means the Security Trustee (in its own capacity and on behalf of the other Shared Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Bondholders), the Participating YWSF Bond Trustee (in its own capacity and on behalf of the relevant Participating YWSF Bondholders), the Bondholders, the Participating YWSF Bondholders, the Non-Participating YWSF Bond Trustee (in its own capacity and on behalf of the relevant Non-Participating YWSF Bondholders), the Non-Participating YWSF Bondholders, each Financial Guarantor, each Finance Lessor, the Hedge Counterparties, the Issuer, YWSF, the Account Bank, the Liquidity Facility Agents, the Senior Facilities Agent, the Senior Facilities Arrangers, the Initial Issuing Bank, any Liquidity Facility Arrangers, each Liquidity Facility Provider, the Existing Authorised Credit Providers and each other Authorised Credit Provider, the Cash Manager (other than when the Cash Manager is YWS), the Standstill Cash Manager, each Agent, and any Additional Secured Creditors.

"**Shared Security**" means the security constituted by the Security Documents including any Guarantee or obligation to provide cash collateral or further assurance thereunder, in each case created or provided by a Shared Chargor.

"**Shortfall Paragraph**" means, to the extent that (after payment of all relevant operating expenditure) there is a shortfall of forecast revenues, the relevant sub-paragraph of the Payment Priorities in relation to which the revenue that is forecast to be available is insufficient to meet all of the payments in such sub-paragraph.

"**SONIA**" means the Sterling Overnight Index Average.

"**SONIA Reference Rate**" has the meaning given to it in Condition 6 "*Interest and other Calculations*" of Chapter 8 "*The Bonds*".

"**Special Administration**" means the insolvency process specific to Regulated Companies under Sections 23 to 26 of the WIA.

"**Special Administration Order**" means an order of the High Court under Sections 23 to 25 of the WIA under the insolvency process specific to Regulated Companies.

"**Special Administration Petition Period**" means the period beginning with the presentation of the petition for Special Administration under Section 24 of the WIA and ending with the making of a Special Administration Order or the dismissal of the petition.

"**Special Administrator**" means the person appointed by the High Court under Sections 23 to 25 of the WIA to manage the affairs, business and property of the Regulated Company during the period in which the Special Administration Order is in force.

"**Standby Drawing**" means a drawing made under a Liquidity Facility Agreement as a result of a downgrade of a Liquidity Facility Provider below the Minimum Short-Term Rating or in the event that the Liquidity Facility Provider fails to renew its commitment on the expiry of the term of such Liquidity Facility Agreement.

"**Standstill**" means, as provided for in Clause 13.1 (*Commencement of Standstill*) of the STID, a standstill of claims of the Secured Creditors against YWS and the Issuer immediately upon notification to the Security Trustee of the occurrence of an Event of Default.

"**Standstill Cash Manager**" means National Westminster Bank plc in its capacity as Standstill Cash Manager under the Common Terms Agreement, or any successor Standstill Cash Manager appointed in accordance with the terms of the Common Terms Agreement.

"**Standstill Extension**" means any of the periods for which a Standstill Period is extended under Clause 13.5 (*Extension of Standstill*) of the STID.

"**Standstill Period**" means a period during which a standstill arrangement is subsisting, commencing on the date as determined by Clause 13.1 (*Commencement of Standstill*) of the STID and ending on the date as determined by Clause 13.4 (*Termination of Standstill*) of the STID.

"**Statutory Accounts**" means the statutory accounts which YWS is required to prepare in compliance with the Companies Act.

"**STID**" means the security trust and intercreditor deed entered into on the Closing Date (as amended, supplemented or restated from time to time) between, among others, the Security Trustee, the Obligors, the Bond Trustee and the Participating YWSF Bond Trustee and as amending and restated from time to time.

"**STID Directions Request**" means a written notice of each STID Proposal sent by the Security Trustee to the Secured Creditors or their DIG Representatives and requesting directions from the relevant Secured Creditors in accordance with the STID.

"**STID Direct Voting Matter**" means, other than in respect of Entrenched Rights and Reserved Matters of the Bondholders, the Participating YWSF Bondholders or, as the case may be, the Non-Participating YWSF Bondholders and provided that (other than in respect of paragraphs (c) and (d) below) a Default Situation is not subsisting and subject to the terms of the STID, each of the following:

(a) a STID Proposal and its accompanying STID Directions Request;

(b) a DIG Proposal and its accompanying DIG Directions Request (other than in respect of Clause 9.6.1(ii) of the STID);

(c) a STID Proposal and its accompanying STID Directions Request in respect of which the relevant proposer has made a statement pursuant to Clause 9.2.5 (*Minimum Content of STID Proposal*) of the STID in respect of its intention to utilise the Emergency Instruction Procedure in relation thereto; and

(d) a DIG Proposal and its accompanying DIG Directions Request in respect of which the relevant proposer has made a statement pursuant to Clause 9.6.1 (*DIG Directions Request*) of the STID in respect of its intention to utilise the Emergency Instruction Procedure in relation thereto.

"**STID Matter**" means a STID Proposal, a STID Directions Request, a DIG Proposal, a DIG Directions Request and an Emergency Instruction Notice.

"**STID Proposal**" means a proposal or request made by any Secured Creditor or its Secured Creditor Representative or any Obligor in accordance with the STID proposing or requesting the Security Trustee: to change, modify or waive any term or condition of any Finance Document; to substitute the Issuer; or to take any Enforcement Action or any other action in respect of the transactions contemplated by the Finance Documents; or to make any determination or exercise any right or discretion (or the manner of such making or exercise) which the Security Trustee is entitled to make or exercise and which the Security Trustee is not willing to make or exercise without the prior approval of the Majority Creditors, as defined more particularly in the STID.

"**Stock Exchange**" means the London Stock Exchange on which any Bonds may from time to time be listed, and references in this Prospectus to the "relevant Stock Exchange" shall, in relation to any Bonds, be references to the Stock Exchange on which such Bonds are, from time to time, or are intended to be, listed.

"**Sub-Class**" means a division of a Class.

"**Subordinated Authorised Loan Amounts**" means, in relation to any Authorised Credit Facility, the aggregate of any amounts payable by the Issuer, YWSF or YWS to the relevant Authorised Credit Provider on an accelerated basis as a result of illegality (excluding accrued interest, principal and recurring fees and commissions) on the part of the Authorised Credit Provider or any other amounts not referred to in any other paragraph of the Payment Priorities.

"**Subordinated Class**" means:

(a) in the case of the Bondholders, any Class of Bonds in respect of which Independent Enforcement Action has been taken;

(b) in the case of the Participating YWSF Bondholders, any Class of Participating YWSF Bonds in respect of which Independent Enforcement Action has been taken; and

(c) in the case of the Non-Participating YWSF Bondholders, any Class of Non-Participating YWSF Bonds in respect of which Independent Enforcement Action has been taken.

"**Subordinated Creditor**" means any credit provider in respect of Subordinated Debt where such credit provider has acceded to the Common Terms Agreement and the STID in such capacity.

"**Subordinated Debt**" means any Financial Indebtedness (other than Financial Indebtedness falling within paragraph (f) or (g) of the definition of Permitted Financial Indebtedness) that is fully subordinated, in a manner satisfactory to the Security Trustee, to the Senior Debt and where the relevant Subordinated Creditor has acceded to the Common Terms Agreement and the STID.

"**Subordinated Liquidity Facility Amounts**" means, in relation to any Liquidity Facility:

(a) the amount by which the amount of interest accruing at the Mandatory Cost Rate at any time exceeds the Mandatory Cost Rate on the date of the relevant Liquidity Facility Agreement; and

(b) the aggregate of any amounts payable by the Issuer or YWSF to the relevant Liquidity Facility Provider in respect of its obligation to gross up any payments made by it in respect of such Liquidity Facility or to make any payment of increased costs to such Liquidity Facility Provider (other than any such increased costs in respect of regulatory changes relating to capital adequacy requirements applicable to such Liquidity Facility Provider) or to amounts payable on an accelerated basis as a result of illegality (excluding accrued interest, principal and recurring fees and commissions) on the part of such Liquidity Facility Provider, or any other amounts not referred to in any other paragraph of the Payment Priorities.

"**Subordinated Secured Creditor**" means any Secured Creditor (other than the Security Trustee, the Bond Trustee, the Participating YWSF Bond Trustee and the Non-Participating YWSF Bond Trustee) which takes Independent Enforcement Action provided that:

(a) the Bondholders shall only be Subordinated Secured Creditors in respect of any Class of Bonds in respect of which Independent Enforcement Action has been taken;

(b) the Participating YWSF Bondholders shall only be Subordinated Secured Creditors in respect of any Class of Participating YWSF Bonds in respect of which Independent Enforcement Action has been taken; and

(c) the Non-Participating YWSF Bondholders shall only be Subordinated Secured Creditors in respect of any Class of Non-Participating YWSF Bonds in respect of which Independent Enforcement Action has been taken.

"**Subordinated Step-up Fee Amounts**" means, in the case of Fixed Rate Bonds or Indexed Bonds, any amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms or Drawdown Prospectus to be payable on such Bonds in excess of the initial margin as at the date on which such Bonds were issued and, in the case of Floating Rate Bonds, any amounts (other than deferred interest) of step-up fee at the rate specified in the relevant Final Terms or Drawdown Prospectus to be payable on such Bonds in excess of the initial margin on the Coupon on such Bonds as at the date on which such Bonds were issued.

"**Subscription Agreement**" means an agreement supplemental to the Dealership Agreement (by whatever name called) substantially in the form set out in Schedule 6 (*Pro Forma Subscription Agreement*) to the Dealership Agreement or in such other form as may be agreed between, among others, the Issuer and the Lead Manager or one or more Dealers (as the case may be).

"**Subsidiary**" means:

(a) a subsidiary within the meaning of section 736 of the Companies Act 1985; and

(b) unless the context otherwise requires, a subsidiary undertaking within the meaning of section 258 of the Companies Act.

"**Substantial Effects Clause**" means sub-paragraph 14.2 of Condition B in Schedule 2 (Substantial Effect Determination) to the Instrument of Appointment (or any successor or equivalent paragraph a clause.

"**Successor**" means, in relation to the Principal Paying Agent, the other Paying Agents, the Registrar, the Transfer Agent, the Agent Bank and the Calculation Agent, any successor to any one or more of them in relation to the Bonds which shall become such pursuant to the provisions of the Bond Trust Deed and/or the Agency Agreement (as the case may be) and/or such other or further principal paying agent, paying agents, registrar, transfer agents, agent bank and calculation agent (as the case may be) in relation to the Bonds as may (with the prior approval of, and on terms previously approved by, the Bond Trustee in writing) from time to time be appointed as such, and/or, if applicable, such other or further specified offices (in the case of the Principal Paying Agent being within the same city as the office(s) for which it is substituted) as may from time to time be nominated, in each case by the Issuer and the Obligors, and (except in the case of the initial appointments and specified offices made under and specified in the Conditions and/or the Agency Agreement, as the case may be) notice of whose appointment or, as the case may be, nomination has been given to the Bondholders.

"**Super-Senior Interest Rate Hedging Agreement**" means certain Hedging Agreements and each other Hedging Agreement designated as such in the relevant Accession Memorandum to the STID.

"**Super-Senior RPI Linked Hedging Agreement**" means each RPI Linked Hedging Agreement which is a Super-Senior Interest Rate Hedging Agreement.

"**Swap Collateral Account**" means an account of YWS, YWSF, the Issuer, as the case may be, into which any collateral provided by a Hedge Counterparty shall be deposited upon the relevant trigger occurring for the provision of such collateral under the terms of the applicable Hedging Agreement.

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

"**Talonholders**" means the several persons who are for the time being holders of the Talons.

"**Talons**" means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons or Receipts, as the case may be, appertaining to, the Definitive Bearer Bonds and includes any replacements for Talons issued pursuant to Condition 14 "*Replacement of Bonds, Coupons, Receipts and Talons*".

"**TARGET Settlement Day**" has the meaning given to such term in Condition 6(l) "*Definitions*".

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions will be construed accordingly.

"**Tax Deed of Covenant**" means the deed of covenant to be entered into on the Closing Date by, among others, the Security Trustee, KGL and the Obligors.

"**Temporary Global Bond**" means, in relation to any Sub-Class of Bearer Bonds, a temporary global bond in the form or substantially in the form set out in Schedule 2 (*Forms of Global and Definitive Bearer Bonds, Receipts, Coupons and Tables*), Part A (*Form of Temporary Global Bond*) to the Bond Trust Deed together with the copy of the applicable Final Terms or Drawdown Prospectus (as applicable) annexed thereto, with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Bearer Bonds of the same Tranche, issued by the Issuer pursuant to the Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed.

"**Test Period**" means:

(a) the period of 12 months ending on 31 March in the then current year;

(b) the period of 12 months starting on 1 April in the same year;

(c) each subsequent 12 month period up to the Date Prior; or

(d) if the Calculation Date falls within the 13 month period immediately prior to the Date Prior, the 12 month period from the Date Prior,

provided that, for the Calculation Dates on 30 September 2009 and 31 March 2010, the first Test Period shall be from 1 April 2009 to 31 March 2010, in the case of the Calculation Date on 30 September 2009 the second Test Period shall be the period of 12 months from 1 April 2010, and interest shall be annualised on the basis of the interest charge from the Closing Date to 31 March 2010.

"**Tranche**" means all Bonds which are identical in all respects save for the Issue Date, Interest Commencement Date and Issue Price.

"**Transaction Account**" means the accounts of each of the Issuer and YWSF entitled the "Transaction Account" held at the Account Bank and includes any sub-account relating to that account and any replacement from time to time.

"**Transaction Documents**" means:

(a) a Finance Document;

(b) a Material Capex Contract or a Material Outsourcing Agreement; and

(c) any other document designated as such by the Security Trustee and the Issuer.

"**Transfer Agent**" means Deutsche Bank Luxembourg S.A. under the Agency Agreement, including any Successor thereto.

"**Transfer Scheme**" means a transfer scheme under Schedule 2 of the WIA.

"**Treasury Transaction**" means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, index-linked swap, currency swap or combined similar agreement or any derivative transaction protecting against or benefiting from fluctuations in any rate, index or price.

"**Trigger Event**" means any of the events or circumstances identified as such in Chapter 7 "*Overview of the Financing Agreements*" under "*Trigger Events*".

"**Trigger Event Ratio Levels**" means the financial ratio levels set out in paragraph (i) "*Financial Ratios*" under "*Trigger Events*" in Chapter 7 "*Overview of the Financing Agreements*".

"**Type 2 Hedging Agreement**" means certain Hedging Agreement in respect of which the relevant Treasury Transaction or Treasury Transactions will terminate prior to the tenth anniversary of the original effective date of such Treasury Transaction pursuant to the mandatory termination provisions contained therein (as may be amended from time to time) pursuant to the STID **provided that**, such Hedging Agreement will cease to be a Type 2 Hedging Agreement if the mandatory termination provisions are amended pursuant to Paragraph 9(c) of the Hedging Policy such that the relevant Treasury Transaction or Treasury Transactions will terminate pursuant to such provisions on or after the tenth anniversary of the original effective date of such Treasury Transaction.

"**UK**" means the United Kingdom.

"**UK Consumer Price Index**" or "**CPI**" means the consumer prices index for the United Kingdom which is provided by the Office for National Statistics, or the relevant successor index.

"**UK CRA Regulation**" means Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 on credit rating agencies.

"**UK Retail Price Index**" or "**RPI**" means the all-items retail prices index for the United Kingdom published by the Office for National Statistics (January 1987=100) or at any future date (except in the case of an RPI Linked Hedging Agreement), such other index of retail prices as may have then replaced it for the purposes of Ofwat's determination of price limits for water and sewerage services or (in the case of an RPI Linked Hedging Agreement) such other index of retail prices as specified in such RPI Linked Hedging Agreement.

"**Unwrapped Bondholders**" means the holders for the time being of the Unwrapped Bonds and "**Unwrapped Bondholder**" shall be construed accordingly.

"**Unwrapped Bonds**" means Bonds that do not have the benefit of a Financial Guarantee.

"**Unwrapped Debt**" means Senior Debt that does not have the benefit of a Financial Guarantee.

"**U.S.**" means the United States of America.

"**UWWTD**" means the Urban Waste Water Treatment Directive (91/271/EEC).

"**Variances**" means a numerical addition to the amount of Capital Expenditure assumed by Ofwat in the last Periodic Review in respect of which YWS provides to the Security Trustee (but not, necessarily, addressed to the Security Trustee) a written confirmation from Ofwat (including as described in the definition of Recognised Ofwat Mechanism) that such variance will (subject to any terms or conditions contained in such confirmation) be added to RCV by no later than the Periodic Review Effective Date (including by way of a Recognised Ofwat Mechanism), and **provided that**, if such variance is not added to the RCV in full by such Periodic Review Effective Date (including by way of a Recognised Ofwat Mechanism), or if prior to such date YWS is notified in writing by Ofwat that such variance will not be added to the RCV in full as part of the Final Determination on such Periodic Review Effective Date, the variance shall be reversed to the extent of such non-allowance and shall not be an allowable adjustment for the purposes of paragraph 3 (*Material Deviation in Projections*) of Part 1 (*Trigger Events*) of Schedule 5 (*Trigger Events*) to the Common Terms Agreement.

"**VAT**": (a) in respect of any Finance Lease Document, has the meaning given thereto in such Finance Lease Document; and (b) otherwise, means value added tax as imposed by the Value Added Tax Act 1994 and legislation supplemental thereof and other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of, or in addition to, VAT) or elsewhere.

"**Voted Qualifying Class A Debt**" means the aggregate Outstanding Principal Amount of Qualifying Class A Debt voted by the Class A DIG Representatives in accordance with the applicable provisions of the STID as part of the Class A DIG.

"**Voted Qualifying Class B Debt**" means the aggregate Outstanding Principal Amount of Qualifying Class B Debt voted by the Class B DIG Representatives in accordance with the applicable provisions of the STID as part of the Class B DIG.

"**Water Framework Directive**" means European Council Directive 2000/60/EC.

"**WIA**" means the United Kingdom Water Industry Act 1991, as amended by subsequent legislation, including the Competition and Service (Utilities) Act 1992, the Water Industry Act 1999, the Water Act 2003 and the Water Act 2014.

"**Wrapped Bondholders**" means the holders for the time being of the Wrapped Bonds, and "**Wrapped Bondholder**" shall be construed accordingly.

"**Wrapped Bonds**" means the Bonds that have the benefit of a Financial Guarantee.

"**WSRA**" means the Water Services Regulation Authority (WSRA, and otherwise known as Ofwat), the economic regulator of the water and sewerage industry in England and Wales and any relevant successor bodies to the Water Services Regulation Authority.

"**YW Financing Group**" means YWH, YWSF, YWS, the Issuer and any other Permitted Subsidiaries.

"**YWH**" means Yorkshire Water Services Holdings Limited, a company incorporated in England and Wales (registered number 6815156).

"**YWH Change of Control**" means: (a) any person which previously had Control of YWH ceases to have Control of YWH; or (b) any person which did not previously have Control of YWH acquiring Control of YWH, in each case of which the Obligor has actual knowledge **provided that** any change of Control of any person controlling KGL shall not constitute a YWH Change of Control.

"**YWS**" or "**Yorkshire Water**" means Yorkshire Water Services Limited, a company incorporated in England and Wales (registered number 2366682).

"**YWSF**" means Yorkshire Water Services Finance Limited, a private company incorporated with limited liability in England and Wales (registered number 04636719).

"**YWS Business Financial Model**" means the latest business financial model prepared by YWS and delivered to the Security Trustee from time to time.

"**YWS Change of Control**" means the occurrence of any of the following events or circumstances:

(a) YWH ceasing to hold legally and beneficially all rights in 100 per cent. of the issued share capital of, or otherwise ceasing to Control, YWS, in each case directly or indirectly; or

(b) YWS ceasing to hold legally and beneficially all rights in 100 per cent. of the issued share capital of, or otherwise ceasing to Control, the Issuer or YWSF.

"**YWS VAT Group**" means the VAT group registration with registration number GB 500555780 comprising with effect from 1 November 2009, YWS and YWSF and which may be extended to include the Issuer, YWH and any additional Permitted Subsidiary, of which YWS is the representative member.

"**YWSF Bond Trust Deeds**" means the bond trust deeds in relation to the YWSF Bonds, namely:

(a) the trust deed in respect of the 2037 Bonds between YWSF, YWS and the Law Debenture Trust Corporation plc dated 29 May 2007 as amended and supplemented from time to time;

(b) the trust deed in respect of the 2051 Bonds between YWSF, YWS and the Law Debenture Trust Corporation plc dated 16 November 2006 as amended and supplemented from time to time;

(c) the trust deed in respect of the 2056 Bonds between YWSF, YWS and the Law Debenture Trust Corporation plc dated 15 November 2006 as amended and supplemented from time to time;

(d) the trust deed in respect of the 2027 Bonds between YWSF, YWS and the Law Debenture Trust Corporation plc dated 29 May 2007 as amended and supplemented from time to time;

(e) the trust deed in respect of the 2058 Bonds between YWSF, YWS and the Law Debenture Trust Corporation plc dated 11 June 2007 as amended and supplemented from time to time;

(f) the trust deed in respect of the 2050 Bonds between YWSF, YWS and the Law Debenture Trust Corporation plc dated 11 June 2007 as amended and supplemented from time to time;

(g) the trust deed in respect of the 2054 Bonds between YWSF, YWS and the Law Debenture Trust Corporation plc dated 1 June 2007 as amended and supplemented from time to time; and

(h) the trust deed in respect of the 2010 Bonds between YWSF, Kelda Group Limited (formerly Kelda Group plc, as original issuer), YWS and the Law Debenture Trust Corporation plc dated 3 July 2008 as amended and supplemented from time to time.

"**YWSF Bonds**" means the following bonds issued by YWSF pursuant to the YWSF Bond Trust Deeds:

(a) £200,000,000 5.5 per cent. guaranteed bonds due 2037 (wrapped by Assured Guaranty UK Limited) issued by YWSF and guaranteed by YWS (the "**2037 Bonds**");

(b) £125,000,000 1.462 per cent. guaranteed retail price index-linked bonds due 2051 issued by YWSF and guaranteed by YWS (the "**2051 Bonds**");

(c) £125,000,000 1.460 per cent. guaranteed retail price index-linked bonds due 2056 issued by YWSF and guaranteed by YWS (the "**2056 Bonds**");

(d) £150,000,000 5.5 per cent. guaranteed bonds due 2027 issued by YWSF and guaranteed by YWS (the "**2027 Bonds**");

(e) £100,000,000 1.7085 per cent. guaranteed retail price index-linked bonds due 2058 issued by YWSF and guaranteed by YWS (the "**2058 Bonds**");

(f) £65,000,000 1.8225 per cent. guaranteed retail price index-linked bonds due 2050 issued by YWSF and guaranteed by YWS (the "**2050 Bonds**");

(g) £85,000,000 1.75756 per cent. guaranteed retail price index-linked bonds due 2054 issued by YWSF and guaranteed by YWS (the "**2054 Bonds**"); and

(h) £200,000,000 6.875 per cent. guaranteed bonds due 2010 originally issued by Kelda Group Limited (formerly Kelda Group plc) and, in respect of which, YWSF was substituted as issuer on 3 July 2008 and guaranteed by YWS (the "**2010 Bonds**"),

and in each case includes, where the context permits, the coupons in respect of those bonds.

"**YWSF DSR Proportion**" means a proportion of the Class A Required Balance attributable to YWSF calculated on a *pro rata* basis according to the Outstanding Principal Amount of: (i) the Issuer's Class A Debt; and (ii) YWSF's Class A Debt.

"**YWSF Financial Guarantee**" means the Financial Guarantee granted by the YWSF Financial Guarantor in respect of the YWSF Wrapped Bonds.

"**YWSF Financial Guarantor**" means, from and including the date upon which the 2037 Bonds become Participating YWSF Bonds and **provided that** the YWSF Financial Guarantor is party to or accedes to the STID and the Common Terms Agreement, Financial Security Assurance (UK) Limited.

"**YWSF Paying Agent**" means the paying agent appointed by YWSF from time to time in respect of the Participating YWSF Bonds.

"**YWSF Unwrapped Bonds**" means the Participating YWSF Bonds other than the YWSF Wrapped Bonds.

"**YWSF Wrapped Bonds**" means the 2037 Bonds from and including the date upon which the 2037 Bonds become Participating YWSF Bonds and for so long as the YWSF Financial Guarantee subsists in relation thereto.

"**YWSF/YWS Loan Agreement**" means any loan agreement entered into between YWSF as lender and YWS as borrower, including the Initial YWSF/YWS Loan Agreement.

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