ANGLIAN WATER SERVICES FINANCING PLC

(incorporated with limited liability in England and Wales with registered number 4330322)

(Legal Entity Identifier: 213800DL377MH46PDY63)

€20,000,000,000
Global Secured Medium Term Note Programme
unconditionally and irrevocably guaranteed by, *inter alios*,

ANGLIAN WATER SERVICES LIMITED
(incorporated with limited liability in England and Wales with registered number 2366656)

for the issuance of
Guaranteed Bonds

On 23 July 2002, the Issuer (as defined below) entered into a €10,000,000,000 Global Secured Medium Term Note Programme (the "**Programme**"). This Prospectus supersedes the Prospectus dated 9 October 2025 in connection with the Programme and any supplementary prospectus thereto. On 9 October 2025, the Issuer increased the programme limit to €20,000,000,000 as part of an update of the Programme. Under the Programme, Anglian Water Services Financing Plc (the "**Issuer**" and, as described below, an "**Obligor**") may from time to time, on or after the date of this Prospectus, issue bonds (the "**Bonds**"), subject to the provisions described herein, in bearer or registered form (respectively, "**Bearer Bonds**" and "**Registered Bonds**"). Each Series of Bonds in bearer form will be represented on issue by a temporary global bond in bearer form (each a "**Temporary Bearer Global Bond**") or a permanent global bond in bearer form (each a "**Permanent Bearer Global Bond**" and, together with each Temporary Bearer Global Bond, the "**Global Bonds**"). If the Global Bonds are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form they are intended to be eligible collateral for Eurosystem monetary policy and the Global Bonds will be delivered on or prior to the original date of the Series to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Global Bonds in bearer form which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") will be deposited on the Issue Date to a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"). This Prospectus does not affect any Bonds issued before the date of this Prospectus.

The payment of all amounts owing in respect of the Bonds will be unconditionally and irrevocably guaranteed by Anglian Water Services Limited ("**Anglian Water**" or "**AWS**"), Anglian Water Services Holdings Limited ("**Anglian Water Services Holdings Limited**" or "**AWS Holdings**") and Anglian Water Services UK Parent Co Limited ("**Anglian Water Services UK Parent Co Limited**" or "**AWS UK Parent Co**") as described herein. Anglian Water, the Issuer, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited are together referred to herein as the "**Obligors**". Anglian Water Services Holdings Limited was incorporated in England and Wales under the Companies Act 1985 (as amended) as a limited company on 28 November 2001, whilst Anglian Water Services UK Parent Co Limited was incorporated in England and Wales under the Companies Act 2006 (as amended) as a limited company on 5 April 2018. Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited do not have any significant assets other than the shares in their respective subsidiaries.

The maximum aggregate nominal amount of all Bonds from time to time outstanding under the Programme will not exceed €20,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

Bonds issued under the Programme will be issued in series (each a "**Series**") and will be designated as "**Class A Bonds**". Each Series will comprise one or more Tranches (each a "**Tranche**") of Bonds which are identical in all respects save for the issue dates, interest commencement dates and/or issue prices, and which are expressed to be consolidated and form a single Series. Following the entry into the Class B Deed Poll (as defined below) and the Class B Redesignation Approval (as defined below), the Issuer may not issue any further Class B Bonds.

The Bonds may be issued on a continuing basis to one or more of the Dealers specified under Chapter 1, "*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 on-going basis. References in this Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Bonds.

Arranger

Barclays

Dealers

Bank of China	**Barclays**
BNP PARIBAS	**CaixaBank**
CIBC Capital Markets	**Deutsche Bank**
HSBC	**ING**
J.P. Morgan	**Lloyds Bank Corporate Markets**
Morgan Stanley	**MUFG Securities EMEA plc**
NatWest	**SMBC**

The date of this Prospectus is 13 October 2026.

Application has been made to the Financial Conduct Authority (the "**FCA**") under Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") for Bonds issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Bonds to be admitted to trading on the London Stock Exchange's Main Market (the "**Market**"). 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 regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**"). The Market is a regulated market for the purposes of Article 2(1)(13A) of the Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK MiFIR**").

This Prospectus has been approved by the FCA in accordance with the rules in the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (the "**PRM**") made pursuant to its rule-making powers under the Public Offers and Admissions to Trading Regulations 2024 (the "**POATRs**"). The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the rules in PRM. Such approval should not be considered as an endorsement of 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 Issuer may also issue unlisted USPP Bonds that are not admitted to trading on (a) any regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) in the European Economic Area or (b) a UK regulated market (as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018), nor admitted to listing or trading on any unregulated market or any other regulated market ("**Exempt Bonds**"). Exempt Bonds do not form part of this Prospectus and will not be issued pursuant to this Prospectus and the FCA has neither approved nor reviewed information contained in this Prospectus in connection with the Exempt Bonds.

In respect of Bonds to be issued under the Programme, notice of the aggregate nominal amount of Bonds, interest (if any) payable in respect of Bonds, the issue price of Bonds and certain other information applicable to each Tranche of Bonds will be set out in a set of final terms (the "**Final Terms**") which will be delivered to the FCA and the London Stock Exchange on or before the date of issue of the Bonds of such Tranche. In the case of Exempt Bonds, references to the Final Terms contained in this Prospectus shall be construed as references to the pricing supplement substantially in the form set forth in this Prospectus (the "**Pricing Supplement**").

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

The Bonds and the guarantees in respect thereof 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 the Bonds may include Bearer Bonds that are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered or sold or, in the case of Bearer Bonds, delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**") in the case of Registered Bonds, or as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder in the case of Bearer Bonds). See Chapter 7, "*Form of the Bonds*" for a description of the manner in which Bonds will be issued. Registered Bonds are subject

to certain restrictions on transfer. See Chapter 15, "*Subscription and Sale and Transfer and Selling Restrictions*".

Each Tranche of Class A Bonds is expected on issue to have the following credit ratings from the respective credit rating agencies below. The credit ratings will be specified in the applicable Final Terms. As Class B Bonds are subject to the Class B Debt Incurrence Restriction, no further issue of a Tranche of Class B Bonds will be made by the Issuer.

Class	**Moody's**	**Fitch**
Class A Bonds	Baa1 (stable)	A- (stable)

Any ratings ascribed to the Bonds reflect only the views of Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Ltd ("**Fitch**" and, together with Moody's, the "**Rating Agencies**"). On 3 March 2026, the Issuer discontinued the engagement of S&P Global Rating Europe Limited as one of its external credit rating agencies providing ratings coverage. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning Rating Agency. For an explanation of the meaning of the ratings, see *Chapter 2, "Overview of the Programme – Ratings*".

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended (the "**EU CRA Regulation**") as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**"). Credit ratings included or referred to in this Prospectus have been issued by the Rating Agencies. Each of Moody's and Fitch are established in the United Kingdom and are each registered under the UK CRA Regulation.

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

The Obligors may agree with any Dealer and Deutsche Trustee Company Limited (the "**Bond Trustee**") that Bonds may be issued in a form not contemplated by the Terms and Conditions of the Bonds herein, in which event (in the case of Bonds admitted to the Official List only) a new 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) 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) RPI, which is provided by the Office for National Statistics; (iv) CPI, which is provided by the Office for National Statistics; (v) CPIH, which is provided by the Office for National Statistics or (vi) HICP, which is provided by Eurostat. As at the date of this Prospectus, the EMMI (as administrator for EURIBOR) appears, on the register of administrators and benchmarks established and maintained by the FCA pursuant to

Article 36 of Regulation (EU) 2016/1011 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".

IMPORTANT NOTICE

General

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

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 the Market. 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.

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

Copies of each set of Final Terms (in the case of Bonds to be admitted to the Official List) will be available from the specified office set out below of each of the Paying Agents (as defined below) 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*.

This Prospectus is to be read in conjunction with all information which is deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Prospectus shall be read and construed on the basis that such information is incorporated into and forms part of this Prospectus. Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the FCA.

Responsibility of the Dealers, Trustees and Other Parties

No representation, warranty or undertaking, express or implied, is made and to the fullest extent permitted by law, the Dealers, the Bond Trustee, the Security Trustee, the Hedge Counterparties, the Finance Lessors, the Authorised Credit Providers, the Debt Service Reserve Liquidity Facility Providers, the O&M Reserve Facility Provider, the Original Lenders and the Agents or any Facility Agent (each as defined herein and together, the "**Other Parties**"), who accept no responsibility whatsoever for the contents of this Prospectus or any information contained or incorporated in this Prospectus or for any other statement made or purported to be made by any of them or on their behalf by the Issuer and the other Obligors in connection with the issue and offering of any Bonds or any other information provided by the Obligors in connection with the Programme. Accordingly, none of the Dealers, the Bond Trustee, the Security Trustee or any of the Other Parties accepts any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

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

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

Regulatory treatment of the Bonds

None of the Issuer, the Obligors, any member of the AWS Financing Group, the Arranger, the Dealers, any of their respective 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 Regulation (EU) 2017/2402 (the "**EU Securitisation Regulation**") or the Securitisation Regulations 2024 (SI 2024/102) and any delegated regulations (the "**UK Securitisation Framework**")) 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 1.8.6 "*Risk Factors – Risks relating to all Bond Issuances – Treatment of the Bonds for Capital Adequacy Purposes*" of the "Risk Factors" section of this Prospectus for further information.

No update after the date of this Prospectus

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

Selling restrictions

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

Trustee or the Other Parties represents that this Prospectus may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Obligors, the Dealers, the Bond Trustee, the Security Trustee or the Other Parties which would permit a public offering of any Bonds or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Bonds in the United States, the EEA, the UK, Belgium, Japan, Australia, Singapore, Switzerland, Canada and the Netherlands. See Chapter 15, "*Subscription and Sale and Transfer and Selling Restrictions*".

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any parent company or affiliate of the Dealers is a licensed broker or dealer in that jurisdiction and so agrees, the offering shall be deemed to be made by the Dealers or such parent company or affiliate on behalf of the Issuer in such jurisdiction.

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS - The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS- The Bonds are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

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

A determination 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 markets

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

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

Singapore SFA Product Classification

Unless otherwise stated in the applicable Final Terms (or Pricing Supplement in the case of Exempt Bonds) in respect of any Bonds issued or to be issued under the Programme, all Bonds issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Investor's independent assessment

In making an investment decision, investors must rely on their own examination of the Obligors and the terms of the Bonds being offered, including the merits and risks involved. Bonds issued under the Programme may not be a suitable investment for all investors. You must determine the suitability of any investment in light of your own circumstances. In particular, you may wish to consider, either on your own or with the help of your financial and other professional advisers, whether you:

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

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

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

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

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

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

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

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS IN CANADA

This notice applies only in respect of an offer of eligible foreign securities (as that term is defined in applicable Canadian securities laws).

Unless the Bonds are distributed concurrently to investors in Canada and the United States, this notice is directed at investors in or subject to the securities laws of provinces of Alberta, British Columbia and Ontario only.

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 ("NI 45-106") 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 ("NI 31-103"). 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 Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus (including any amendment or supplement thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to exemptions available under the securities laws of the provinces of Alberta, British Columbia and Ontario, or, with respect to Bonds that are distributed concurrently to investors in Canada and the United States, pursuant to section 3A.3 of National Instrument 33-105 Underwriting

Conflicts (“NI 33-105”), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with an offering of the Bonds.

U.S. INFORMATION

This Prospectus is being distributed on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (each as defined under Chapter 7, "*Form of the Bonds*") for informational use solely in connection with the consideration of the purchase of the Bonds being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Bonds may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. prospective purchaser of Registered Bonds is hereby notified that the offer and sale of any Registered Bonds to it may be made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A under the Securities Act ("Rule 144A"). For a description of these and certain further restrictions on offers, sales and transfers of Bonds and distribution of this Prospectus see Chapter 15, "*Subscription and Sale and Transfer and Selling Restrictions*".

Purchasers of Definitive IAI Registered Bonds will be required to execute and deliver an IAI Investment Letter (as defined under Chapter 8, "*Terms and Conditions of the Bonds*"). Each purchaser or holder of Definitive IAI Registered Bonds, Bonds represented by a Rule 144A Global Bond or any Bonds issued in registered form in exchange or substitution therefor (together "Legended Bonds") will be deemed, by its acceptance or purchase of any such Legended Bonds, to have made certain representations and agreements intended to restrict the resale or other transfer of such Legended Bonds as set out in Chapter 15, "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in Chapter 7, "*Form of the Bonds*".

The Bonds and the guarantees in respect thereof have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Bonds or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Bonds that are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer and each of the other Obligors has undertaken to furnish, upon the request of a holder of such Bonds or any beneficial interest therein or a prospective purchaser of such "restricted securities" designated by such holder, to such holder or to such prospective purchaser, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Bonds are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the Issuer is neither a reporting company under section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Each of the Obligors is a corporation organised under the laws of England and Wales. All of the officers and directors of the Obligors named herein reside outside the United States and all or a substantial portion of the assets of the Obligors and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England upon the Obligors, as the case may be, or such persons, or to enforce judgments against them obtained in courts outside England predicated upon civil liabilities of the Obligors, as the case may be, or such directors and officers under laws other than English law, including any judgment predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States.

Each of the Obligors has been advised by Linklaters LLP, its counsel, that there is doubt as to the enforceability in England in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Issuer and Anglian Water Services Holdings Limited each maintains its financial books and records and prepares its financial statements in Sterling in accordance with Financial Reporting Standard 101 ("FRS101") and International Financial Reporting Interpretations

Committee ("IFRIC") interpretations, as adopted by the European Union which differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP").

All references in this Prospectus to "Sterling" and "£" refer to pounds sterling, to "U.S. dollars", "U.S.$" and "$" refer to United States dollars, to "euro", "Euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended, to "Australian dollars" and "A$" are to the lawful currency of Australia, to "Canadian dollars" and "CAD" are to the lawful currency of Canada, and to "Swiss francs" are to the lawful currency of Switzerland.

SUSTAINABILITY-LINKED FINANCE FRAMEWORK SECOND-PARTY OPINIONS AND EXTERNAL VERIFICATION

In connection with the issue of Step Up Bonds under the Programme, the Issuer or the Guarantors may request a provider of second-party opinions to issue a Sustainability-Linked Finance Framework Second-party Opinion (each as defined in the Risk Factors: "*Bonds issued, if any, as Step Up Bonds may not be a suitable investment for all investors seeking exposure to sustainable assets*", "*Step Up Bonds may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics*" and "*The baseline that Sustainability Performance Targets are measured against in relation to Step Up Bonds may change during the life of any Step Up Bonds*" below), as the case may be. Each such Sustainability-Linked Finance Framework Second-party Opinion will be accessible at: *https://www.anglianwatergroup.co.uk*. However any information on, or accessible through the website and the information in such opinions or report is not part of this Prospectus and should not be relied upon in connection with making any investment decision with respect to any Bonds to be issued under the Programme.

In addition, no assurance or representation is given by each Obligor, the Arranger, the Dealers or any other member of their group, second party opinion providers or the External Verifier as to the suitability or reliability for any purpose whatsoever of any opinion, report or certification of any third party in connection with the offering of any Step Up Bonds under the Programme. Any such opinion, report or certification and any other document related thereto is not, nor shall it be deemed to be, incorporated in and/or form part of this Prospectus.

STABILISATION

In connection with the issue of any Tranche of Bonds, one or more relevant Dealer(s) (if any) (the "Stabilising Manager(s)") (or any person(s) acting on behalf of any Stabilising Manager(s)) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Bonds and 60 days after the date of the allotment of the relevant Tranche of Bonds. Any stabilisation action or over-allotment must be conducted

by the relevant Stabilising Manager(s) or person(s) acting on behalf of any Stabilising Manager(s) in accordance with all applicable laws and rules. 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(s).

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RISK FACTORS

The following section outlines certain aspects of the issue of the Bonds and related transactions about which prospective Bondholders should be aware. The occurrence of one or more of the events discussed below could have a material adverse impact on the business, financial condition or results of operations of the Issuer or the other Obligors or their ability to meet their obligations (including the payment of principal and interest) under or in connection with the Bonds.

Prospective Bondholders should note that the risks described below are not the only risks that the Issuer or the other Obligors face. The Issuer 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 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. Further, any prospective Bondholder should take their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of their investment. 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 any Class of Bonds receive payment of interest or repayment of principal from the Issuer or the other Obligors, on a timely basis, or at all.

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

1.1 Risks relating to the Issuer – Regulatory, Legislative and Political Risks

The water industry is subject to extensive legal and regulatory obligations and controls, and Anglian Water must comply with all applicable laws, regulations and regulatory standards, as described in Chapter 11 "*Regulation of the Water and Water Recycling Industry in England and Wales*". The UK water and water recycling industry is facing unprecedented levels of scrutiny from a wide range of stakeholders, including governments and regulators, NGOs, local communities, and other stakeholders. There is heightened focus on the environmental performance and compliance status of the industry as a whole, in particular in relation to wastewater discharges. Stakeholder groups are increasingly calling for greater regulatory enforcement action to be taken, and the Environment Agency (the "**EA**" or the "**Environment Agency**") is pursuing more aggressive enforcement action, including by way of increased fines for environmental offences and even prison sentences and disqualification orders for directors of water companies. This is against the backdrop of the previous UK Government's commitment to increase water company inspections carried out by the EA to 4,000 a year by end of March 2025, and to 10,000 by end of April 2026. A DEFRA press release published in May 2025 stated that the EA has launched 81 criminal investigations into water companies since the Labour Government came into office in July 2024, highlighting the record levels of enforcement action in this space. 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 Anglian Water.

This increased scrutiny of the water industry could result in increased enforcement of these laws, regulations and regulatory standards, by regulators and through third party claims, resulting in substantial fines, compensation payments, requirements to invest in infrastructure and increased operating costs, all of which could have a material adverse impact on the reputation, operations and financial condition of Anglian Water. If Anglian Water's reputation, operations or financial condition were to be so affected, there is a risk that Anglian Water may not be able to meet its debt obligations (including the payment of principal and interest to investors). This may result in Anglian Water's inability to make repayments under the Issuer/Anglian Water Loan Agreement and could therefore adversely impact the Issuer's obligations under the Bonds.

1.1.1 Policy changes and political intervention in the sector, including greater public control

On 1 September 2026, following public debate about nationalisation of water companies, the Prime Minister, Andy Burnham, stated that the Government’s proposed 10-year plan for Britain would set out plans for “stronger public control” over essential services, including water, later in 2026. The form, scope and implementation of that policy remain uncertain. Greater public control need not involve outright nationalisation, but nationalisation, mutualisation or other changes to ownership or control cannot be excluded.

On 29 September 2026, Mr Burnham announced that the Government will bring forward a water bill which will repeal the statutory restriction on public ownership of water companies and mark the start of a "10-year journey to a very different water system". Mr Burnham described the water bill as including new powers for local leaders to hold water companies to account and measures to close loopholes used to pay large bonuses. The detailed design, scope and timing of this bill, and the implications for the ownership, financing and regulation of Anglian Water, are not yet known as at the date of this Prospectus.

Such measures, changes to regulation or the special administration regime, and uncertainty over them could reduce the willingness of investors to provide debt or equity funding to Anglian Water. Even without nationalisation, Anglian Water could be unable to finance the investment required to meet its service and environmental obligations, refinance its indebtedness or service its debt, potentially resulting in a restructuring or Special Administration. The Bonds could decline in value or become less liquid, payments of principal or interest could be delayed or reduced, and Bondholders, including holders of Class A Bonds, could lose some or all of their investment.

Special Administration is a statutory process to maintain essential services, not itself nationalisation or a guarantee of repayment. Although creditor protections apply, neither continuity of services nor the security and guarantees supporting the Bonds ensure full or timely recovery. See risk factors 1.4.1 (*Ability to Grant Security*) and 1.4.2 (*Special Administration*).

Stakeholder groups are increasingly calling for greater regulatory enforcement action to be taken, and the Office for Environmental Protection (the "**OEP**") and the UK Government have scrutinised Ofwat and environment and water regulators in England for their enforcement approaches to date.

Changes to EA monetary penalties

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

Following a consultation which closed on 3 December 2025, DEFRA and the EA confirmed they would amend the VMP regime by setting a £500,000 VMP cap for civil offences, using the civil standard of proof for minor to moderate environmental offences. In the same announcement, DEFRA and the EA confirmed that, pursuant to the Water (Special Measures) Act 2025, automatic fixed monetary penalties will be introduced for specified minor to moderate offences. Secondary legislation and an updated Environment Agency Enforcement and Sanctions Policy will provide additional detail and clarification in due course.

House of Lords Industry and Regulators Committee

On 22 March 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 to account for environmental pollution through penalties and prosecution and that water companies have been overly focused on maximising financial returns at the expense of the environment, operational performance and financial sustainability.

Water (Special Measures) Act 2025

The Water (Special Measures) Act 2025 ("**WSMA**") provides additional regulatory tools in respect of environmental pollution. The applicability of the WSMA to Anglian Water creates the potential for Anglian Water to be subject to heightened intervention and regulatory scrutiny, a consequence of which is an increased likelihood of fines and penalties, as well as reputational risk. Increased personal accountability and restrictions on remuneration may also adversely affect Anglian Water's ability to attract and retain suitably qualified directors and senior management and comply with the adequate management resources requirements of Condition P of its Licence. Further information on the WSMA and the rule changes that have been implemented are set out in Chapter 11.8 *Environmental Regulation*.

National Audit Office

On 25 April 2025 the National Audit Office (NAO) published the report of its enquiry into the regulation of the water industry in England and Wales ('Regulating for

investment and outcomes in the water sector'). The enquiry examined the effectiveness of the regulatory regime in delivering long-term objectives, incentivising operational performance improvements, and attracting the investment needed to meet the government's specified outcomes.

The NAO expects Defra and water regulators to respond to its recommendations, which include understanding the costs and deliverability of targets and the impact on customers' bills, developing a better understanding of asset health and simplifying the price control regime.

Independent Water Commission

On 23 October 2024 the government announced an Independent Commission into the water sector and its regulation (the Independent Water Commission, or 'IWC'). It said that it expected the review to form the largest review of the industry since privatisation. Former Deputy Governor of the Bank of England, Jon Cunliffe, was appointed to chair the Commission. The final report of the IWC was published on 21 July 2025. The Commission set out 88 recommendations in its report. Key recommendations have been set out in Chapter 11.8 *Environmental Regulation*.

In January 2026, the UK Government published its water white paper, "A new vision for water", responding to the Independent Water Commission's July 2025 report. The proposals for England include replacing Ofwat with a single regulator combining its functions with the water functions of the Environment Agency, Natural England and the Drinking Water Inspectorate, stronger supervision and intervention, and reforms to price controls, governance and financial resilience. A Water Reform Bill is expected during this Parliament. The detailed design, timing and effects of these reforms, and their interaction with subsequent public-control proposals, remain uncertain as at the date of this Prospectus.

Possible impact

In light of these recent legislative and policy developments, as of the date of this Prospectus, there can be no certainty as to what further changes will be made to the regulatory regime to which Anglian Water and other companies in the UK water sector are subject as a result of these or any future processes, reports and announcements. The proposed changes, ongoing consultations, regulatory reviews and policy developments relating to the sector may result in stricter enforcement, increased financial penalties and more onerous compliance requirements that could result in a reduced ability for Anglian Water or the Issuer to raise new capital to refinance existing indebtedness or to finance Anglian Water's business plan. These factors could also result in a higher cost of funding for any capital raised by Anglian Water or the Issuer.

This could negatively impact Anglian Water's business and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement, raise finance and comply with its obligations under the Instrument of Appointment and legislation. This could affect the Issuer's ability to make timely payment of principal and interest under the Bonds and Anglian Water and the other Guarantors' ability to perform their obligations under the Guarantees. For more information on financial ratios and covenant requirements please see Chapter 6.5.7 (*Financing Structure – Common Terms Agreement – Trigger Events*).

1.1.2 Material Investigations and Litigation

Companies of the size and scale of Anglian Water are sometimes subject to various investigations, claims, disputes and potential litigation. An increase in fines, orders for compensation payments, requirements to invest and increased operating costs, could have a material adverse impact on the operations and financial condition of Anglian Water. If Anglian Water's operations or financial condition were to be so affected, there is a risk that Anglian Water may not be able to meet its debt obligations under the Issuer/Anglian Water Loan Agreement and could therefore adversely impact the Issuer's obligations under the Bonds.

Set out below are recent investigations by Ofwat, the DWI and the EA and incidences that have resulted in fines or remedial action in respect of Anglian Water.

Operation Standard

On 18 November 2021 Ofwat and the Environment Agency (the "**EA**") announced investigations into all water and wastewater companies in England and Wales. This was after several water companies explained that, at some sewage treatment works, they might not be complying with the terms of their discharge permits which specify the volumes of wastewater which should receive full treatment, resulting in unauthorised discharges of untreated wastewater into the environment. In the course of the investigations their scope has broadened to consider all aspects of companies' wastewater management.

The EA's criminal investigation into water and wastewater companies is ongoing. The EA is investigating whether companies may have breached the terms of their permits. AWS has provided a significant amount of information to the EA and the EA has also conducted a number of site visits. It is not possible to determine whether the EA will decide to prosecute AWS as a result of the information that they have gathered, nor is it known when the investigation will conclude. Therefore, the financial consequences for AWS (if any) which may arise following conclusion of the EA's investigation are unknown.

FFT

In 2022 Ofwat opened enforcement cases against six water and wastewater companies (including AWS). Ofwat announced in July 2024 it had opened four more enforcement cases into the remaining water and wastewater companies (being Dŵr Cymru Welsh Water, Hafren Dyfrdwy, Severn Trent and United Utilities).

On 29 July 2025, Ofwat published a consultation regarding undertakings that had been offered by AWS following the conclusion of Ofwat's investigation.

In lieu of a fine, AWS and its shareholders proposed to fund a total package of activities valued at £62.8m including:

(a) creating a £5.8 million community fund that will support projects delivering environmental and social benefits for local communities, with a particular focus on restitution of the water environment;

(b) investing £57 million in developing and delivering 'Excess Flow Management Plans', to remove, attenuate or optimise wastewater flows in at least eight catchments in its region to provide local environmental improvements; and

(c) accelerating delivery of investment which the AWS had already planned for 2025-30 through its Storm Overflows Discharge Reduction Plan. This includes earlier delivery of 36 storm tanks, 45 screens and 42 other deliverables.

On 9 September 2025, Ofwat published its final decision accepting the undertakings from AWS in lieu of the financial penalty.

In addition, AWS has developed and will deliver (having regard to deliverability, affordability and financeability) a remediation and compliance plan to ensure that all its storm overflows are compliant with the legal requirements considered by Ofwat's investigation. However, customers must not pay again for previously funded compliance with legal obligations.

The position in relation to the EA side of the investigation is set out above under "Operation Standard".

CPO

In December 2023, Professor Carolyn Roberts (acting as Proposed Class Representative) issued opt-out collective proceedings against AWS (and its parent company, AWGL) on behalf of relevant household customers of AWS in the period from 1 April 2020, alleging that AWS had abused (and continued to abuse) its dominant position, in breach of section 18 of the Competition Act 1998. Parallel proceedings were also issued against five other UK WASCs. Professor Roberts alleged that the water and sewerage companies (the "**WASCs**") provided misleading information to the EA and to Ofwat with the result that Ofwat allowed the water companies to charge customers higher prices for sewerage services than would otherwise have been permitted. As it was proposed that the claims be brought as collective proceedings in the Competition Appeal Tribunal (the "**CAT**"), the claims were first required to be certified as eligible for inclusion in collective proceedings and a collective proceedings order granted before they could proceed.

The application for a collective proceedings order was refused by the CAT on 7 March 2025. Professor Roberts subsequently appealed to the Court of Appeal to determine whether the CAT's decision not to certify the claims should be overturned and the claims be certified and allowed to continue. On 5 March 2026, the Court of Appeal published its decision, dismissing Professor Roberts' appeal. By Professor Roberts' application dated 9 April 2026, she sought permission to appeal to the Supreme Court. Permission was granted on 29 June 2026 and a hearing has been listed for 8 and 9 February 2027.

1.1.3 Licence Compliance and Modification

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

Ofwat also has the power to fine a Regulated Company up to 10 per cent. (for each respective breach) of its entire regulated turnover in the preceding 12 months if it fails to comply with certain of its statutory duties or the terms of its licence or fails to meet standards of performance. The penalty must also be reasonable in all the circumstances. The Secretary of State also has powers to impose a penalty under certain circumstances; see Chapter 11.4, "*Regulation of the Water and Water Recycling Industry in England and Wales — Enforcement Powers*".

Failure to comply with certain of its statutory duties or failure to comply with an enforcement order (as well as certain other defaults) may lead to the making of a Special Administration Order (as described below). See Chapter 11.5, "*Regulation of the Water and Water Recycling Industry in England and Wales — Special Administration Orders*".

Anglian Water's Licence may be modified without its consent in accordance with the procedures laid down in Section 12 of the WIA as amended by the Environment Act 2021. This allows Ofwat to modify a licence without the consent of the Regulated Company, subject to consultation and a right of veto on the part of the Secretary of State. Regulated Companies have a right to appeal the modification to the Competition and Markets Authority (the "**CMA**") in line with the process set out in the WIA. See Chapter 11.3.3 "Modification of a Licence". Failure to comply with modifications to its Licence may result in Anglian Water being fined or being subject to an enforcement order.

Modifications could also result from a decision on a merger or market investigation reference by the CMA. See Chapter 11.3.3, "*Regulation of the Water and Water Recycling Industry in England and Wales — Licences — Modification of a Licence*" for more detail.

On 17 July 2026, the Department for Business, Innovation, Science and Trade and Department for Business and Trade launched a consultation on "Swifter and Simpler Competition Redress, Regulatory Appeals and Competition Enforcement", which was closed on 25 September 2026. The consultation sought views on reform proposals to simplify and improve the efficiency of the opt-out collective actions, regulatory appeals, and competition enforcement regimes. Among others, the consultation discussed the transfer of regulatory appeals currently heard by the Competition and Markets Authority (CMA) to the Competition Appeal Tribunal, harmonisation of the appeal standard and eligibility criteria across sectors, and the costs associated with regulatory appeals.

1.1.4 Economic Regulation

Condition B of Anglian Water's Instrument of Appointment ("**Condition B**") provides the legal mechanism for the Periodic Review of price controls, Interim Determinations and references to the CMA.

There is no guarantee that current and/or future price controls (including the CMA's final determination in respect of any of them) will permit the generation of sufficient revenues to enable Anglian Water to meet its obligations under the Bonds (including the payment of principal and interest to investors). See Chapter 11.3.4 "*Regulation of the Water and Water Recycling Industry in England and Wales — Licences — Principal Licence Conditions recently modified*" and Chapter 11.7 "*Regulation of the Water and*

Water Recycling Industry in England and Wales — Economic Regulation" for more detail.

1.1.5 Licence Termination

Anglian Water's Licence could be terminated without consent on 25 years' notice by the Secretary of State, or transferred from Anglian Water, including following the making of a Special Administration Order.

Under the terms of the Licence, the Secretary of State may terminate Anglian Water's appointment without its consent where the Secretary of State has given Anglian Water at least 25 years' notice and that period of notice has expired. Upon expiry of the Licence, there can be no assurance that Anglian Water would be re-appointed. The Licence may also be transferred from Anglian Water at any time following the making of a Special Administration Order, but such an order can only be made on very specific statutory grounds. The termination, non-renewal or transfer of the Licence could have a material adverse impact on Anglian Water, and, consequently, on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds.

Under section 9(4) of the WIA, if the Secretary of State or Ofwat were to make an appointment or variation replacing Anglian Water 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 Anglian Water's creditors were not unfairly prejudiced by the terms on which the successor Regulated Company (or Companies) replacing Anglian Water could accept transfers of property, rights and liabilities from Anglian Water.

Thus far there is no precedent to indicate how compulsory licence terminations or Special Administration Orders would work in practice for Regulated Companies, nor is there any precedent for such Regulated Companies to indicate the extent to which creditors' interests would be protected. See Chapter 11.3.2 "*Regulation of the Water and Water Recycling Industry in England and Wales – Licences – Termination of a Licence*" for more detail.

1.1.6 Regulatory Changes to Increase Competition in the Water Industry

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

Ofwat has taken steps to introduce competition into the water supply and sewerage services markets via inset appointments (otherwise known as "**New Appointments and Variations**", or "**NAVs**") and the non-household retail market (as described below).

New Appointments and Variations: NAVs allow one company to replace another as the statutory undertaker for water or water recycling in a specified geographical area previously within the other Regulated Company's appointed territory. These appointments give rise to a potential material adverse impact, with Anglian Water facing increased competition for business customers and developers and the provision of services as a result of NAVs affecting its water supply area and sewerage services area. Activity in the NAV market has increased year on year, although this has not

affected Anglian Water's overall revenue allowances under the current regulatory framework and has had little financial impact on the group to date.

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

The Water Act 2014 amended the WIA and introduced the Water Supply and/or Sewerage Licence ("**WSSL**") regime to create a new market for retail water and sewerage services to all non-household customers in England as described in Chapter 11 "*Regulation of the Water and Water Recycling Industry in England and Wales*". The non-household retail market launched on 1 April 2017, replacing the previous Water Supply Licence (WSL) regime. Anglian Water exited the non-household retail market on 1 April 2017 and transferred its non-household business to Wave Ltd (a trading name of Anglian Water Business (National) Limited), a joint venture with Northumbrian Water Group Limited.

Ofwat and the CMA have concurrent powers under the Competition Act to investigate and prohibit anti-competitive agreements and conduct relating to the water and water recycling sector, including with respect to the operation of the WSSL regime. These powers include the power to impose penalties of up to 10 per cent. of worldwide group-wide turnover for the business year preceding the finding of the infringement. Any agreement which infringes the Competition Act may be void and unenforceable. Breaches of the Competition Act may also give rise to claims for damages from third parties. The Enterprise Act 2002 (the "**Enterprise Act**") adds further remedies for breach of competition law. The Enterprise Act contains criminal sanctions, including the possibility of imprisonment of individuals who have been involved in certain cartels and directors involved in breach of competition law may be disqualified. Consumer groups are able to bring actions on behalf of customers (including for damages).

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

Further market reforms and the introduction of competition into upstream activities could be introduced in the future. These would most likely be in respect of new markets for Water Resources and Bioresources. In both areas, Ofwat requires companies to publish information about their assets and activities that would help potential participants in those markets. Companies are also required to publish bid assessment frameworks to demonstrate that bids from third parties to provide services will be

treated on a level playing field alongside in-house bids. Activity levels in both markets have been very limited to date.

A water resource bidding market was introduced in April 2020, which represents an opportunity for new sources of water to be brought forward to market and utilised by Anglian Water to secure water supplies. Third-party options were assessed as part of the development of the company's WRMP for 2024.

It is not possible to assess if, or how, recent and future changes to the competitive environment will affect the interests of Bondholders. Either the extension of competition within the water industry or the bringing of proceedings against Anglian Water in respect of its competitive position in the area in which it operates could have a material adverse impact on Anglian Water. See Chapters 11.3.2 "*Regulation of the Water and Water Recycling Industry in England and Wales – Licence – Termination of a Licence"* and 11.9 "*Regulation of the Water and Water Recycling Industry in England and Wales – Competition in the Water Industry"* for more detail.

1.1.7 Thames Water and the UK Water Sector

On 5 April 2024, Thames Water Utilities Limited's ("**Thames Water**") indirect parent company, Kemble Water Finance Limited, announced that it had sent a formal notice 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 a formal notice of default to the note trustee in respect of its £400,000,000 4.625 per cent. Senior Secured Notes due 2026. Since then, there have been ongoing discussions between Thames Water, its creditors and Ofwat. The situation is developing and has attracted a high amount of political and media scrutiny and speculation.

The increased scrutiny regarding the performance and financial resilience of Thames Water and other water and sewerage companies could lead to increased governmental, political and/or regulatory intervention (including investigations by Ofwat, the EA and/or DEFRA, contingency planning, rigorous enforcement of current legislation and regulation and the enactment of new more stringent regulation and legislation), increased litigation and fines which could each affect investor confidence in the UK water sector.

These factors could result in a reduced ability for Anglian Water or the Issuer to raise new capital to refinance existing indebtedness or to finance Anglian Water's business plan. These factors could also result in a higher cost of funding for any capital raised by Anglian Water or the Issuer, and impact creditor rating agencies' assessment of sector risk, which could result in credit rating downgrades for Anglian Water or the Issuer.

This could negatively impact Anglian Water'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 Anglian Water'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 6.5.7 (*Financing Structure – Common Terms Agreement – Trigger Events*).

1.2 Risks relating to the Issuer - Failure to meet costs allowed under price controls

As well as the regulatory, legislative and political risks described above, there are a number of other factors that may affect the revenues received by Anglian Water and its profit including, without limitation, price controls set by Ofwat, non-recovery of customer debt and adverse weather conditions. Should any of these, or other, factors adversely affect Anglian Water's revenues, Anglian Water may have insufficient revenues to meet its financing obligations, which may include those obligations arising under the Bonds (including the payment of principal and interest to investors) and may impact Anglian Water's ability to make repayments under the Issuer/Anglian Water Loan Agreement, and therefore impact the Issuer's obligations arising under the Bonds.

Although: (i) Ofwat has a duty to exercise its powers in the manner that it considers is best calculated, *inter alia*, to ensure that Anglian Water is able to finance the proper carrying out of its functions; and (ii) certain changes in circumstances can trigger adjustments to price controls between Periodic Reviews under the interim determination of price controls ("**Interim Determination**") provisions of the Licence and other mechanisms within price controls, as with any Regulated Company, no assurance can be given that the revenues generated by Anglian Water from its water and water recycling business will be sufficient to enable it to make full and timely payment of amounts due in respect of the Bonds. See Chapter 4, "*Anglian Water Business Description*".

1.2.1 Price Controls

Periodic reviews of price controls ("**Periodic Reviews**") have been carried out at five-yearly intervals by Ofwat. Ofwat concluded its review for the AMP8 Period (covering the five years to March 2030), in December 2024 and issued its Final Determination, which was re-determined by the CMA on 10 March 2026.

Ofwat is under no duty to ensure the continued solvency of a Regulated Company in all circumstances and there is no assurance the PR24 price control (as re-determined by the CMA) and Anglian Water's performance of the conditions and targets set out in the PR24 price control (as re-determined by the CMA) will permit the generation of sufficient revenues to enable Anglian Water to carry out its functions or for the Issuer to meet its obligations under the Bonds. Furthermore, there is no assurance that future price controls will permit the generation of sufficient revenues to enable Anglian Water to carry out its functions. Although the methodology introduced in the 1994 review — in particular the derivation of the "regulatory capital value" as the measure of capital to be remunerated — was also applied with modifications in 1999, 2004, 2009, 2014, 2019 and 2024, Ofwat is not required to apply the same or a similar methodology in future reviews. To arrive at its conclusions, Ofwat makes estimates and judgements in a number of areas, such as the scope for cost efficiencies and the setting of performance standards, which it has done historically using a wide range of comparative techniques. Judgements are also applied in estimating the sector cost of capital in determining whether or not to make allowance for the "embedded" costs of fixed rate debt and in assessing whether additional allowances are a requirement to enable companies to finance their functions.

In carrying out a review, Ofwat makes allowances on the basis of its assessment of what constitutes an efficiently managed Regulated Company. On that basis, prices are set so that Regulated Companies' revenues cover the cost of the "efficient" provision of operations and capital investment (as determined by Ofwat) including a company specific tax charge, and to allow a reasonable return on capital. However, Ofwat is under no duty to ensure the continued solvency of a Regulated Company in all circumstances and there is no assurance that price controls imposed by Ofwat at such reviews will permit Anglian Water to generate sufficient revenues to enable it to finance its functions or discharge its obligations under the Issuer/Anglian Water Loan Agreement. If a Regulated Company disputes Ofwat's price determination, it may require Ofwat to refer the matter to the CMA for determination by it (after making necessary investigations). As described in Chapter 11.7.5, "*Regulation of the Water and Water Recycling Industry in England and Wales — Economic Regulation — Interim Determinations*", an Interim Determination may be made between Periodic Reviews in specified circumstances, including the circumstances contemplated by the "Shipwreck Clause". If a Regulated Company disputes Ofwat's Interim Determination, it can require Ofwat to refer the determination to the CMA.

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

Further details of the price review process are contained in Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales — Economic Regulation*".

1.2.2 Inflation

Anglian Water's revenues are linked to inflation; however, tariffs cannot be adjusted intra-year. This may result in Anglian Water suffering from potential 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 Anglian Water experiences for the goods and services it consumes in operating its business, including through the tariffs which Anglian Water can periodically set for customers and exposure to index linked debt, swaps and other contracts and liabilities.

Changes in the rate of inflation could lead to adverse consequences on Anglian Water's financial performance.

For the AMP8 Period, the link to the underlying rate of inflation applies only to wholesale price control revenue and RCV (but not the retail price control). As a result, the regulatory framework partially provides a natural hedge to inflation. However, the exposure to fluctuations in inflation creates an element of unpredictability which means that Anglian Water is exposed to such risks which it cannot accurately predict and provide for in its operations, and thus could lead to adverse consequences on Anglian Water's financial performance, and thus impact on the Issuer's ability to meet its obligations (including the payment of principal and interest) under the Bonds. Anglian

Water attempts to mitigate these by linking a significant amount of its financing to the rate of inflation through inflation-linked debt and swaps.

Failure to adapt the cost base to rising inflation could result in re-prioritisation of investment and reduced service levels, impacting customer service and operational performance, which may consequently impact Anglian Water's business, results of operations and overall financial condition. As rates of inflation increase, this may, in certain circumstances, affect Anglian Water's business, resulting in an adverse impact on its profitability. In addition to changes in the rate of inflation, there is a risk that the inflation index used may also change and affect the performance of the Bonds.

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

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

1.2.3 Increased Energy Costs

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

Anglian Water uses a hedging programme, sleeving and self-generation to manage exposure to wholesale energy prices. Wholesale energy costs are hedged using forward purchases of electricity from suppliers, from generators (Sleeved Corporate Power Purchase Agreements) or power derivatives with financial counterparties using either London Energy Brokers Association (LEBA) or Nord Pool (N2EX) reference pricing, as well as self-generation. Non-wholesale costs are generally variable and directly associated with the regulated costs of transmission, distribution and environmental levies, all of which are passed through by suppliers. See Chapter 3 "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Energy" and Chapter 4 "Anglian Water Business Description – Suppliers*" for more detail.

1.2.4 Revenue Control

Under Ofwat's AMP8 methodology, price controls for Water Resources, Water Network Plus and Wastewater Network Plus maintain the level of company revenue

despite fluctuations in demand, with in-period adjustments according to how well the company performs in respect of its performance commitments. The controls allow for in-period adjustments to revenue, to take account of any under/over recovery of revenues in prior years. In addition, the revenue forecasting incentive imposes a financial penalty where the variance between forecast and actual revenue in any year exceeds 2 per cent. The Retail revenue allowed under the current controls is based on an efficient cost to serve each residential customer and therefore will be adjusted as respective customer numbers vary from the number assumed in setting the allowed revenue. The Bioresources revenue allowed under Ofwat's PR24 Final Determination is based on an average revenue per tonne of sludge produced and therefore will be adjusted as the total amount of sludge produced varies from the number assumed in setting the allowed revenue. Anglian Water's actual expenditure may be higher than its allowed expenditure, resulting in an adverse impact on its profitability. See Chapter 3 "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Metering*" for more detail.

The price controls determined by Ofwat for the AMP8 Period are based, *inter alia*, on assumptions of the total expenditure ("**Totex**") a company requires to deliver its obligations. For a range of reasons, a company's expenditure in the period may exceed these assumed sums and while the terms of the price control enable a company to recover a share of any incremental expenditure required above the assumed sum from customers in 2030, the company's profitability would still be adversely affected (*see Chapter 11.7 "Regulation of the Water and Water Recycling Industry in England and Wales – Economic Regulation"*).

1.3 Risks Relating to the Issuer - Penalties and Rewards

1.3.1 Capital Investment

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

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

If Anglian Water is unable to maintain its capital assets or deliver required improvements at expected expenditure levels, or is unable to secure the expected level of efficiency savings on its capital investment programme, or the programme falls behind schedule or contains incorrect assumptions by Anglian Water as to the capital investment required, Anglian Water's profitability might suffer because of a need for increased capital expenditure. Alternatively, failure to make the required investment could result in Anglian Water having to pay substantial penalties under the outcomes framework introduced by Ofwat at PR24 and carried across into AMP8. The return to customers of capital funding which was allowed for in price controls in the event of non-delivery of outputs was formalised in the PR24 price controls through the introduction of price control deliverables (PCDs). Anglian Water is subject to 33 PCDs,

which will recover funding in 2030 in the event that the company does not, for example, install all of the smart meters for which it has been funded or complete obligations required of it under the Water Industry National Environmental Programme. Anglian Water's ability to meet regulatory output targets and environmental performance standards could also be adversely affected by failure to make the required investment, which may result in penalties imposed by Ofwat of an amount up to 10 per cent. of turnover in the preceding 12 months and/or other regulatory action by the EA (including against directors) which could result in substantial fines and other sanctions and the need for further increases in capital expenditure and operating expenditure by Anglian Water.

Failure by Anglian Water to maintain its capital assets or deliver required outputs might affect Anglian Water's ability to meet its obligations under the Bonds (including the payment of principal and interest to investors). See Chapter 3 "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition – Capital Expenditure*" for more detail.

1.3.2 Non-Recovery of Debts

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

Non-recovery of debt is a risk to Anglian Water and may cause Anglian Water's profitability to suffer. This risk was exacerbated by the WIA, which prohibited the disconnection for non-payment of a water supply for domestic use in any premises and the limiting of a supply with the intention of enforcing payment for domestic use in any premises, although allowance is made by Ofwat in the price controls at each Periodic Review for a proportion of debt deemed to be irrecoverable. Anglian Water is also unable to disconnect non-household customers in areas where another company is the appointed water undertaker under the WIA. Dissatisfaction with the environmental performance of water companies has led customers in some parts of England and Wales to withhold some or all of their water bills and there is a risk that this practice could spread.

Failure by Anglian Water to convert debts into cash might affect Anglian Water's ability to meet its obligations under the Bonds (including the payment of principal and interest to investors). See Chapter 4 "*Anglian Water Business Description – Bad Debts*" for more detail.

1.3.3 Performance Commitments and Incentives

For the five-year AMP8 Period from 1 April 2025 to 31 March 2030, Anglian Water has agreed to a number of commitments in relation to its operational performance ('performance commitments') in wholesale water, wholesale water recycling and household retail (subject to amendment by the CMA's re-determination). Actual performance against these commitments will increase or decrease revenues where commitments have financial penalties associated with underperformance or rewards for outperformance (outcome delivery incentives, "**ODIs**"). These incentives are being monitored during the AMP8 Period and, in most cases, rewards and penalties are being

applied to revenues during the 2025-30 period although those in respect of one performance commitment will apply to revenues from 1 April 2030.

The ODIs in the AMP8 Period mean that Anglian Water faces risks of penalties from operational underperformance as well as opportunities for rewards for outperformance. Where incurred, penalties and rewards for Anglian Water would all be levied through an adjustment to revenue. There is a risk that any penalties incurred may affect the Issuer's ability to meet its payment obligations under the Bonds. See Chapter 11.7 "*Regulation of the Water and Recycling Industry in England and Wales – Economic Regulation – Adjustments to Revenue to Reflect Performance*" for more detail.

1.4 Risks relating to the Issuer - Legal Considerations

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

1.4.1 Ability to Grant Security

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

Ofwat has confirmed that the guarantees given under the Security Documents will not be prohibited under the modifications to Condition P22 of Anglian Water's Licence but it has not been asked to consent, and has not consented to, the granting of the Security. Ofwat has requested that Anglian Water and the Issuer make clear to all investors that all security granted by Anglian Water over the assets of the Regulated Business is subject to the WIA and to ensure that all investors understand that this, in effect, means that such security could not be enforced. This is not necessarily a definitive statement of the legal position in all respects and circumstances but investors should neither over-estimate the value of the security created by Anglian Water nor under-estimate the difficulties that may be incurred if ever they wish to enforce that security.

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 Anglian Water and its business. The appointment of a Special Administrator effectively places a moratorium upon any holder of security from enforcing that security. Under the WIA, there is no right to block the appointment of a Special Administrator equivalent to the right that a holder of a floating charge over the whole or of substantially the whole of the business of a non- regulated company may have, in

certain circumstances, to block the appointment of a conventional Insolvency Act administrator.

There are also certain legal restrictions which arise under the WIA and the Licence affecting the enforcement of the security created under the Security Agreement executed by Anglian Water. For example, such enforcement is prohibited unless the person enforcing the security has first given 14 days' notice to Ofwat or the Secretary of State hence giving time for them to exercise their rights under the WIA if they are so able and so choose. See 1.4.2 "*Special Administration*" below.

Accordingly, the security provided over the assets of Anglian Water to the Secured Creditors affords significantly less protection to the Secured Creditors than would be the case if Anglian Water were not a Regulated Company subject to the WIA and its Licence.

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

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

legal owner until such later date. Until they are perfected, these Security Interests will take effect in equity only and, thus, will be subject to prior equities and/or certain other legal rights arising in relation thereto.

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

As a result, the amount and nature of the Security Interest provided in respect of the Bonds may not be sufficient to provide payment of amounts due and owing in respect of the Bonds. See Chapter 11.6 "*Regulation of the Water and Recycling Industry in England and Wales – Economic Regulation – Security*" for more detail.

1.4.2 Special Administration

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

As further disclosed in Chapter 11.5, "Regulation of the Water and Water Recycling Industry in England and Wales — Special Administration Orders", the Court may make a Special Administration Order in certain circumstances (for example, where Anglian Water is in breach of its principal duties under the WIA or of the provisions of a final or confirmed provisional enforcement order (and in either case the breach is serious enough to make it inappropriate for Anglian Water to continue to hold its Licence) or is unable, or is unlikely to be able, to pay its debts).

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

Where the grounds for a special administration order are that a company is or is likely to be unable to pay its debts, the purpose of the order is to rescue the company as a

going concern. To achieve this purpose, the special administrator may propose: (a) a company voluntary arrangement under Part 1 of the Insolvency Act 1986, or (b) a compromise or arrangement in accordance with Part 26 or Part 26A of the Companies Act 2006.

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

(a) transferring to one or more different Regulated Companies as much of the business of the 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

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

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

In addition, the Secretary of State can make an order for the payment of the costs and expenses of the special administration, and such order would have priority over the claims of creditors (including the claims of the Issuer as a creditor of Anglian Water). Additionally, the Secretary of State is now able to modify water companies' instruments of appointment to recover any shortfall that it does not expect to otherwise recover in the case of special administration under the WSMA.

There can be no assurance that any transfer scheme in the context of a Special Administration regime could be achieved on terms that would enable creditors to recover amounts due to them in full. See Chapter 11.5, "*Regulation of the Water and Water Recycling Industry in England and Wales — Special Administration Orders*" for more detail.

1.4.3 Additional Security

The creation of new security by Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited following the implementation of the Permitted Reorganisation resulted in the "hardening periods" under the Insolvency Act 1986 to start afresh in relation to such new security. There is a risk that such security may be challenged by an insolvency official in the event of either Anglian Water Services Holdings Limited or Anglian Water Services UK Parent Co Limited entering insolvency proceedings.

Pursuant to the Permitted Reorganisation, Anglian Water Services UK Parent Co Limited granted security over the shares of Anglian Water and Anglian Water Services Holdings Limited granted security over the shares of Anglian Water Services UK Parent Co Limited. The creation of this new security resulted in the "hardening periods" (under the Insolvency Act 1986) to start afresh. If a company enters a formal insolvency process, certain transactions (relating to transactions at an undervalue, the avoidance of preferences, the creation of certain floating charges, extortionate credit transactions and transactions defrauding creditors) entered into prior to the commencement of the insolvency process may be challenged under provisions of the Insolvency Act 1986. Generally, if the challenge is successful, the court will make an order as is appropriate to undo the effect of the transaction in question (for example, by ordering the return of assets to the insolvent company). It should be noted that, as part of the Permitted Reorganisation, Anglian Water Services UK Parent Co Limited delivered a solvency certificate to the Security Trustee, confirming its solvency and furthermore its only material liabilities are those under the Finance Documents.

1.4.4 Enforceability of Payment Priorities

If the Payment Priorities were to be the subject of litigation in any jurisdiction outside England and Wales and such litigation resulted in a conflicting judgment in respect of the binding nature of the Payment Priorities, it is possible that certain payments would not be subordinated as envisaged by the Payment Priorities and as a result, the Obligors' ability to repay the Bondholders in full might be adversely affected.

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

In the English courts, the Supreme Court in *Belmont Park Investments PTY Ltd v BNY Corporate Trustee Services Ltd* [2011] UKSC 38 dismissed this argument and upheld the validity of a flip clause contained in an English-law governed security document. In the US, however, early decisions in the Bankruptcy Court did not give effect to such priority shifting features. *See, e.g., Lehman Bros. Special Fin. Inc. v. Ballyrock ABS CDO 2007–1 Ltd. (In re Lehman Bros. Holdings Inc.)* ("**Ballyrock**"), 452 B.R. 31, 39 (Bankr. S.D.N.Y. 2011) (JMP) (the "analysis from the [court's prior] decision would render ineffective the changes in the [w]aterfall that would result" from LBSF's default on the swap); *see also Mich. St. Housing Dev. Auth. v. Lehman Bros. Derivative Products Inc. (In re Lehman Brothers Holdings Inc.*) 502 B.R. 383, 395 (Bankr. S.D.N.Y. 2013) (JMP) (holding that statutory "safe harbor" from prohibition against enforcement of ipso facto clauses was broad enough to protect the agreed contractual method of liquidating swap agreement in the event that one of the parties elected to terminate the agreement prematurely based on the other party's bankruptcy filing). In *Ballyrock*, the US Bankruptcy Court also found that the safe harbor contained in section 560 of the Bankruptcy Code did not protect the distribution of proceeds to the Ballyrock noteholders because "a [contractually] mandated elimination of a substantive right to

receive funds that existed prior to the bankruptcy of LBHI should not be entitled to any protection under safe harbor provisions that, by their express terms, are limited exclusively to preserving the right to liquidate, terminate and accelerate a qualifying financial contract." *Id.* at 40. The United States Court of Appeals for the Second Circuit, however, in 2020 expanded the reach of the safe harbor provisions to give effect to a flip clause incorporated into a protected swap agreement. *See In re Lehman Bros. Holdings Inc.*, 970 F.3d 91 (2d Cir. 2020). The Second Circuit held that: (a) priority of payment provisions that were set forth in indenture agreement and specifically incorporated by reference into prepetition credit default swap agreements were themselves "swap agreements"; (b) term "liquidation", as it is used in statutory "safe harbor" to the general prohibition against enforcement of *ipso facto* clauses, must encompass the disbursement of proceeds from the liquidated collateral; and (c) the mere fact that trustees who terminated the prepetition credit default swap agreements were not themselves "swap participants" did not mean that these transactions were not protected by the statutory "safe harbor". While the Second Circuit is an influential court, its decisions are only binding on the other courts within the Second Circuit (six districts within the states of Connecticut, New York, and Vermont). That said, there is no controlling case law outside the Second Circuit on this issue at this time, so it remains possible that other circuits could take an alternative view in declining to enforce a flip clause against a debtor in bankruptcy. The US Supreme Court has not yet considered the issue.

If the Payment Priorities were the subject of litigation in any jurisdiction outside England and Wales (for example, where a Hedge Counterparty is the subject of bankruptcy or insolvency proceedings outside of England and Wales) and such litigation resulted in a conflicting judgment in respect of the binding nature of the Payment Priorities, it is possible that termination payments due to that Hedge Counterparty would not be subordinated as envisaged by the Payment Priorities and as a result, the Obligors' ability to repay the Bondholders in full might be adversely affected. However, the Issuer has been advised that it is unlikely that the English courts would make any order pursuant to the Cross Border Insolvency Regulations 2006 ("**CBIR**") or otherwise which has the effect of restraining parties from making or receiving payments in accordance with the order of priority agreed between them where English assets are to be distributed pursuant to an English law security trust by an English incorporated security trustee - as is the case in respect of the Programme - though the possibility cannot be discounted entirely. See Chapter 6.6.5 "*Financing Structure – Cash Management – Debt Service Payment Account*" for more detail.

1.5 Risks relating to the Issuer - Environmental and Insurance Considerations

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

1.5.1 Costs of Compliance with Environmental Laws and Regulations

There is a risk that Anglian Water will have to incur costs to comply with current as well as future environmental laws and regulations or to clean up contamination. Such costs may be significant and may materially and adversely affect the financial position of Anglian Water.

Anglian Water's water supply and water recycling operations are subject to a number of laws and regulations relating to the protection of the environment and human health governed primarily by the DWI and the EA as described in Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*" and also the Health & Safety Executive with regard to risks to people in the workplace.

It is likely that Anglian Water will in future incur significant costs in complying with upgrading requirements imposed under existing or future laws and regulations. This risk is increased by virtue of the unprecedented levels of scrutiny being faced by the UK water and water recycling industry at present from a wide range of stakeholders, including governments and regulators, NGOs, local communities and other stakeholders. There is heightened focus on the environmental performance and compliance status of the industry as a whole, particularly in relation to wastewater discharges.

As described above under "*Broader policy changes*" in this section 1.1, there is also heightened pressure on regulators to take enforcement action against water companies, which if taken and successful, could have financial consequences for Anglian Water. This environment could result in an increase in enforcement activity and third party claims as well as substantial fines, compensation payments as well as requirements to invest in infrastructure and increased operating costs.

Given the nature of Anglian Water's operations there is a risk that drinking water quality and environmental pollution incidents may occur, the possible consequences of which may be required to deal with the effects of contamination or environmental pollution, criminal prosecution leading to the imposition of fines on Anglian Water and/or civil liability in damages to third parties and/or a requirement to clean up any contamination and/or an operational requirement to upgrade plant and equipment. Such incidents could also give rise to prosecutions against the directors of Anglian Water, with the EA indicating that it intends to pursue more actions against directors in the future. The imposition of fines, civil liability, clean-up costs or upgrade costs may materially and adversely affect the financial position of Anglian Water. Any such incidents may also give rise to breaches of any operational environmental consents held by Anglian Water.

There is also a risk that Anglian Water may incur liability to clean up contamination caused by historical activities at its sites, whether or not Anglian Water caused the contamination in question. The costs of cleaning up contamination of land and/or water may be significant. Such contamination may also result in claims by third parties such as neighbouring landowners.

The Environment Act also contains provisions in relation to storm overflows as described in Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*".

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

1.5.2 Costs Arising from Public Concern and Other Environmental Requirements

In addition to environmental costs imposed upon Anglian Water by law or regulation, Anglian Water may be subject to additional costs resulting from public concern regarding environmental matters. For example, farms that use sludge from Anglian Water's water recycling operations are increasingly requiring higher levels of treatment of this sludge in response to demands from the buyers of their crops. This in turn results in higher capital and operating costs for Anglian Water. See Chapter 11.8 "*Regulation of the Water and Water Recycling Industry in England and Wales — Environmental Regulation*" for more detail.

Furthermore, measures to tackle loss of biodiversity and policies intended to protect local habitats may, amongst other impacts, limit access to water resources in areas deemed to be ecologically sensitive, which in turn could affect Anglian Water's business. The Environment Act created new commitments and strengthened previous legislation which has implications on how the impacts on biodiversity of operations are managed. Anglian Water must consider, from time to time, what action it can take to conserve and enhance biodiversity so far as is consistent with the proper exercise of its functions. It should then take such action that it thinks appropriate. In practice this means avoiding, mitigating and compensating for biodiversity impacts resulting from the building and operating of its assets, and enhancing biodiversity where appropriate, such as by managing its land for biodiversity. Additionally, the Environment Act amended the Town and Country Planning Act 1990 to enshrine statutory Biodiversity Net Gain, requiring any qualifying development requiring planning permission to ensure a statutory 10 per cent. minimum Biodiversity Net Gain, and to monitor and manage this for a minimum of 30 years.

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

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

Anglian Water 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.

1.5.3 Insurance

Although Anglian Water maintains a comprehensive insurance programme to levels commensurate with the assessed risk exposure, the insurance covers "specified perils" only and therefore there can be no assurance that the business will be reimbursed for its entire loss in certain circumstances. In addition, there can be no assurance that such insurance coverage will be available in the future at commercially reasonable rates or at all. This may affect the Issuer's ability to meet its payment obligations under the Bonds.

See Chapter 4 "*Anglian Water Business Description – Insurance and Risk Management*" for more detail.

1.5.4 Erratic Weather and Climate Change

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

Regulated Companies have a duty to undertake works to minimise the risk of damage from water recycling flooding during periods of heavy rainfall. Since 1989 Anglian Water has undertaken programmes of works to substantially reduce the number of properties at risk of internal and external water recycling flooding. However, should flooding increase, Anglian Water would have to pay more money in compensation to customers under the Guaranteed Standards Scheme, suffer penalties under Ofwat's outcomes framework and have to make additional investment. See Chapter 11.8, "*Regulation of the Water and Water Recycling Industry in England and Wales — Environmental Regulation*".

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

Many of Anglian Water's treatment works and other assets near the coast or on flood plains will become increasingly vulnerable to flooding and erosion. This could potentially affect Anglian Water's ability to provide water and water recycling services if suitable adaptation action is not taken. Adaptation investment is integral to key business cases to reduce flooding of critical assets, reduce flooding of customers by its assets, improve the security of its water resources, address leakage and demand and improve its network resilience. For example, the potential impacts of climate change and the delivery of resilience has been integral to the development of the current WRMP, LTDS and the DWMP.

Adaptation is integrated into Anglian Water's asset creation processes and measurement of carbon intensity. Investment solutions must demonstrate adaptation consideration

and approaches to reducing carbon for all schemes to allow for the impact of climate change.

Costs will be incurred in delivering adaptation within these schemes where it is supported by risk assessment and cost benefit analysis.

If there are supply shortfalls due to prolonged periods of drought, additional costs may be incurred, for example, to provide emergency reinforcement to supplies in areas of shortage. If the company was forced to impose temporary restrictions on customers' use of water due to drought it would in the short term adversely affect revenues from metered customers and may in extreme circumstances lead to compensation having to be paid to customers who suffer interruptions in supply under Condition Q of the Licence. See Chapter 11.10.2, "*Regulation of the Water and Water Recycling Industry in England and Wales — Customers' Interests — Guaranteed Standards*".

High summer temperatures and high winter rainfall are becoming more common, and it is expected that the region will continue to experience more erratic weather conditions of this type as a consequence of climate change. Ground movement events including freeze-thaw and soil moisture deficit could have a significant effect on Anglian Water and its operations, for example by causing damage to underground infrastructure.

1.5.5 Catastrophe Risk

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

Catastrophic events such as dam bursts, fires, earthquakes, floods, droughts, terrorist attacks, diseases, epidemics, pandemics, plant failure, widespread power or communications outages or other similar events could result in personal injury, loss of life, pollution or environmental damage, severe damage or destruction of Anglian Water's water or water recycling treatment works, pumping stations, water mains, sewers or service pipes. Any resulting damage or suspension of operations of Anglian Water, to the extent not covered by insurance, could have a material adverse impact on the ability of Anglian Water to meet its financing and regulatory obligations. See Chapter 4 "*Anglian Water Business Description – Insurance and Risk Management*" for more detail.

1.5.6 Loss of Data or Interruptions to Key Business Systems

Cybersecurity events have the potential to impact on the confidentiality, integrity and availability of data, information and systems that are essential for the operation of the business. Impacts in this space include but are not limited to, remediation costs, customer satisfaction and operational impacts in the delivery of Anglian Water’s commitments to customers and regulators.

In addition to interruption of services that this could cause there are consequential impacts related to cyber-attacks including fines for non-compliance to regulations including the GDPR, NIS-R and PCI-DSS.

Separately or in combination these impacts could lead to significant adverse press, regulatory and governmental attention resulting in damage to the company’s reputation.

1.6 Risks relating to the Issuer – Financing Considerations

Anglian Water may not be able to raise the finance, that it needs, from time to time in the future, on suitable terms. If Anglian Water is not able to raise suitable additional finance, it may not be able to meet its obligations under the Bonds (including the payment of principal and interest to investors) or other maturing debt as it falls due.

1.6.1 Future Financing

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

The Issuer will need to raise further debt and/or equity from time to time in order to finance future capital enhancements to Anglian Water's asset base, to refinance any other debt (including 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 and, on each Interest Payment Date on which principal is required to be repaid, and on the expected Maturity Date of the relevant Class of Bonds, to refinance Bonds. Whilst the Programme contemplates the terms and conditions on, and circumstances under, which such additional debt can be raised, there can be no assurance that the Issuer will be able to raise sufficient funds (including by way of equity), or funds at a suitable interest rate, or on suitable terms, at the requisite time such that all amounts then due and payable on the Bonds or any other maturing debt will be capable of being so paid when due.

1.6.2 Cost of Debt

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

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

1.6.3 High Leverage

Anglian Water has a high degree of leverage and there can be no assurance as to Anglian Water's ability to meet its financing requirements and no assurance that Anglian Water's high degree of leverage will not have a material adverse impact on its ability to pay amounts that will be due and owing in respect of the Bonds or its ability to make repayments under the Issuer/Anglian Water Loan Agreement, and therefore impact the Issuer's obligations arising under the Bonds.

Anglian Water has indebtedness that is substantial in relation to its shareholders' equity. At the date of this Base Prospectus, Anglian Water's gross indebtedness is approximately £10.1 billion and its RCV is approximately £13.0 billion.

The ability of Anglian Water to improve its operating performance and financial results will depend upon economic, financial, competitive, regulatory and other factors beyond its control, including fluctuations in interest rates and general economic conditions in the United Kingdom. The level of debt of Anglian Water has several important effects on its future operations, including the following: (a) Anglian Water has significant cash requirements to service debt; (b) Anglian Water may be restricted in the future from obtaining additional financing, whether for capital expenditure, working capital or other purposes; and (c) Anglian Water is required to comply with certain financial covenants and other restrictions contained in the Bonds and its other indebtedness, further restricting its financial and operational flexibility.

Accordingly, there can be no assurance as to Anglian Water's ability to meet its financing requirements and no assurance that Anglian Water's high degree of leverage will not have a material adverse impact on its ability to pay amounts that will be due and owing in respect of the Bonds. There can be no assurance as to Anglian Water's ability to make repayments under the Issuer/Anglian Water Loan Agreement, which may therefore impact the Issuer's obligations arising under the Bonds. Incurrence of additional indebtedness by Anglian Water, the Issuer or the other Obligors which is permitted under the terms and conditions of the Bonds, may materially affect the ability of Anglian Water, the Issuer or the other Obligors to pay amounts due and owing in respect of the Bonds.

1.6.4 Financial Ratios

Under the Common Terms Agreement, Anglian Water is subject to financial ratio tests which monitor interest cover, which are designed to measure its ability to service its debt while maintaining the economic value of the business. The Common Terms Agreement allows Anglian Water (following a Periodic Review or any material change in the regulation of the water industry in the United Kingdom) to amend any financial ratio contained within the covenants, Trigger Events or Events of Default provided that each Financial Guarantor and the Security Trustee (acting on the instructions of the Majority Creditors) agree and the Rating Requirements have been met.

Anglian Water may, with agreement from the Security Trustee and the Financial Guarantors, amend the financial ratios, although there is a requirement to ensure that the Rating Requirements are met, it is possible that the reductions of the financial ratio levels could lead to Anglian Water being unable to pay amounts that will be due and owing in respect of the Bonds and may affect Anglian Water's ability to make repayments under the Issuer/Anglian Water Loan Agreement, and therefore impact the Issuer's obligations arising under the Bonds.

A number of operational and macroeconomic factors can influence the calculation of Anglian Water's ability to service its interest obligations, including the level of depreciation of its asset base, the fluctuations in interest rates, energy costs, inflation and levels of operational expenditure. Where Anglian Water is unable to comply with its obligations in respect of interest coverage, a Trigger Event or Event of Default may occur (See Chapter 6.5.8, "*Financing Structure — Common Terms Agreement — Trigger Event Consequences*").

Consequences of a Trigger Event include certain payment restrictions on Anglian Water, provisions of further information and a remedial plan, and the commissioning of an Independent Review to be conducted by technical advisers to the Security Trustee to examine the causes of the relevant Trigger Event and recommend appropriate corrective measures. If an Event of Default occurs, a Standstill Period will commence where, other than in certain limited circumstances, none of the Secured Creditors will be entitled to give any instructions to the Security Trustee to take any Enforcement Action, and any monies received by the Issuer or Anglian Water will be applied in accordance with the cash management provisions contained in the CTA (see Chapter 6.6, "*Cash Management*" below) and in accordance with the Payments Priorities (see Chapter 6.6.5, "*Debt Service Payment Account*" below).

The occurrence of a Trigger Event or Event of Default could also have an adverse effect on Anglian Water's business, results of operations and overall financial condition, its ability to meet financial ratio and covenant requirements under the Common Terms Agreement and to raise finance, comply with its payment obligations under the Issuer/Anglian Water Loan Agreement, and consequently the Issuer's ability to meet its obligations under the Bonds.

1.6.5 Termination of a Hedging Agreement

The Issuer may be left exposed to interest rate risk or currency risk in the event that there is an early termination of a Hedging Agreement. A Hedging Agreement may be terminated in the circumstances described in Chapter 6.10, "*Financing Structure — Hedging Agreements*". If a Hedging Agreement is terminated and the Issuer is unable to find a replacement Hedge Counterparty, then the funds available to the Issuer may be insufficient to meet fully its obligations under the Bonds. See Chapter 6.10 "*Financing Structure – Hedging Agreements*" for more detail.

1.6.6 Corporate Structure

The Issuer is a special purpose vehicle whose principal source of funds will be the funds available to it pursuant to payments made to it by Anglian Water. The Issuer is therefore subject to all the restrictions relating to revenues to which Anglian Water is subject.

The Issuer is a special purpose financing entity with no business operations other than the incurrence of Financial Indebtedness, including the issuance of Bonds, entering into certain Authorised Credit Facilities and lending the proceeds of such Financial Indebtedness to Anglian Water under the Intercompany Loan Arrangements. The Issuer's principal source of funds will be the funds available to it pursuant to the Authorised Credit Facilities and payments made to it by Anglian Water pursuant to the Intercompany Loan Arrangements. Therefore, the Issuer is, insofar as concerns the Intercompany Loan Arrangements, subject to all the restrictions relating to revenues to which Anglian Water is subject. Such restrictions could limit funds available to Anglian Water to enable it to satisfy in full and on a timely basis its obligations under the Intercompany Loan Arrangements and/or guarantee under the Security Agreement. See Chapter 6.4 "*Financing Structure – Intercompany Loan Arrangements*" for more detail.

1.7 Risks relating to all Bond Issuances

There are a large number of factors which may affect the rights of the Bondholders, the market value of the Bonds and the amounts that investors may receive as payments of interest and

principal under the Bonds which investors need to consider, the most material of which are set out below.

If, amongst other things, the rights of Bondholders are curtailed, the credit rating of the Bonds is reduced or no secondary market in the Bonds develops, the resale value of the Bonds may decrease. If certain events occur including, without limitation, a change in UK or EU tax legislation, the Bonds may be subject to a withholding and investors may receive lower than expected interest payments. Additionally, if the Issuer does not receive funds expected by it because of, amongst other things, the termination of a hedging agreement or revenue restrictions on Anglian Water impacting the Issuer, it may not be able to meet its obligations under the Bonds (including the payment of principal and interest to investors).

1.7.1 Bondholders' rights are subject to the STID

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 6.3.14, "*Financing Structure — Security Trust and Intercreditor Deed — Entrenched Rights and Reserved Matters*". The Security Trustee is authorised to act on the instructions of the Class A DIG. A Bondholder (other than (i) a USPP Bondholder holding a certain amount of Class A USPP Bonds prior to the occurrence of certain events; or (ii) after the occurrence of such events, any holder of USPP Bonds, as the case may be) will not be entitled to vote.

Prior to a Default Situation, the Bond Trustee may vote on behalf of the Bondholders (other than the USPP Bondholders, who will each act as their own Secured Creditor Representative) as part of the Instructing Group. However, the Bond Trustee will not be obliged to vote and will not be entitled to convene a meeting of Bondholders to seek directions in respect of such vote. Accordingly, subject to Entrenched Rights and Reserved Matters of the Bondholders, prior to a Default Situation, the Outstanding Principal Amount of the Bonds (other than the USPP Bonds) will not be voted as part of the Class A DIG in circumstances where the Bond Trustee is unable or unwilling to exercise its discretion.

During a Default Situation the Bond Trustee shall be entitled to vote and will be entitled to seek directions from the relevant Bondholders in respect of such vote. However, the Bond Trustee may be prevented from voting if a valid Emergency Instruction Notice is delivered to the Security Trustee. See Chapter 6.3.9, "*Financing Structure — Security Trust and Intercreditor Deed — Emergency Instruction Procedure*". In respect of a vote relating to Entrenched Rights and Reserved Matters, the Bond Trustee will be required to seek directions from the Bondholders of each affected Series of Bonds in respect of such vote.

Accordingly, subject to the Entrenched Rights and Reserved Matters of the Bondholders, decisions relating to and binding upon the Bonds may be made by persons with no interest in the Bonds and the Bondholders may be adversely affected as a result. See Chapter 6.3, "*Financing Structure — Security Trust and Intercreditor Deed*".

Under the terms of the STID and the CTA any further issues of debt securities by members of the Anglian Water Services Financing Group must be made subject to the Intercreditor Arrangements contained in the CTA and the STID (to which the Bonds

are also subject), and in respect of the any Class B Bonds, no issues may be made pursuant to the Class B Debt Incurrence Restriction. No alteration of the rights of priority of the holders of Class A Bonds may be made without the consent of the relevant Bondholders.

1.7.2 Application for the Bonds to be admitted to the Official List

Notwithstanding the fact that an application has been made for the Bonds to be admitted to the Official List and for such Bonds to be admitted to trading on the Market, there is currently no market for the Bonds. There can be no assurance that a secondary market will develop, or, if a secondary market does develop for any of the Bonds, that it will provide the holder of the Bonds with liquidity or that any such liquidity will continue for the life of the Bonds. Consequently, any purchaser of the Bonds must be prepared to hold such Bonds for an indefinite period of time or until final redemption or maturity of the Bonds.

The liquidity and market value at any time of the Bonds is affected by, among other things, the market view of the credit risk of such Bonds and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events, the performance and financial condition of Anglian Water, developments and trends in the water industry generally and events in Anglian Water's water supply and water recycling licence areas.

1.7.3 Denomination

A Bondholder may have to purchase additional Bonds so that it holds a Specified Denomination (or multiples thereof) of Bonds in order to exchange the Bonds for definitive Bonds in the event that definitive Bonds are printed.

In relation to any issue of Bonds which have a denomination consisting of a minimum Specified Denomination of €100,000 (or its equivalent) plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than any 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 Specified Denominations. See Chapter 7 "*Form of the Bonds – Bearer Bonds*" for more detail.

1.7.4 Ratings

Future events, including events affecting Anglian Water and/or circumstances relating to the water industry generally, could have an adverse impact on the ratings of the Bonds. If any rating assigned to the Bonds is lowered or withdrawn, the market value of the Bonds may be reduced. The ratings assigned to the Class A Bonds by the Rating Agencies reflect only the views of the Rating Agencies.

A rating is not a recommendation to buy, sell or hold securities and will depend, amongst other things, on certain underlying characteristics of the business and financial condition of Anglian Water.

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

In general, United Kingdom regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the United Kingdom and registered under the UK CRA Regulation. European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under the EU CRA. If the status of the rating agency rating the Bonds changes such that it is no longer compliant with the requirements under the EU CRA Regulation or the UK CRA Regulation, European and UK regulated investors may no longer be able to use the rating for regulatory purposes and the Bonds may have a different regulatory treatment. This may result in European regulated investors or UK regulated investors selling the Bonds which may impact the value of the Bonds and any secondary market.

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

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

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

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

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

1.7.5 Withholding Tax under the Bonds

In respect of Bonds other than those specified in the applicable Final Terms as USPP 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.

In respect of Bonds which are specified in the applicable Final Terms as USPP Bonds, in the event that withholding taxes are imposed by the United Kingdom or any political subdivision or any authority thereof or therein having power to tax (a "**Tax Jurisdiction**") in respect of payments due under the Bonds, the Issuer is (subject to certain specified exclusions and, in the case of unlisted USPP Bonds, such conditions as may be specified in the applicable Final Terms) obliged to pay such additional amounts as will result in receipt by Bondholders of such amounts as would have been received had no withholding been required.

The Issuer will, in the event of any such withholding taxes imposed by a Tax Jurisdiction or any political subdivision thereof (in respect of USPP Bonds, in circumstances where the Issuer is required to pay additional amounts as described above as a result of a change in United Kingdom law or regulation or the official interpretation or application of such law or regulation), have the option (but not the obligation) of: (i) arranging for the substitution of another company in an alternative jurisdiction (subject to certain conditions) or, in the event that the Issuer is unable to do so, (ii) redeeming all outstanding Bonds in full. See Chapter 8, "*Terms and Conditions of the Bonds*".

1.7.6 Treatment of the Bonds for Capital Adequacy Purposes

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

Significant changes to the Basel II framework have been implemented by the Basel Committee on Banking Supervision (the "**Basel Committee**") (such changes being commonly referred to as "**Basel III**"), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and minimum leverage ratio for credit institutions. In particular, the changes included, among other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short term and longer term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). The measures are being implemented in a phased manner. In December 2017, the Basel Committee announced a set of amendments to the Basel III package, described by some commentators as "**Basel IV**". These reforms introduce significant limitations on the ability of banks to reduce their capital requirements through their calculation of risk weighted assets ("**RWAs**") using the Internal Ratings Based approach (the "**IRB Approach**"). The reforms include revisions to the IRB Approach for credit risk, revised minimum capital requirements for market risk,

revisions to the credit value adjustment risk framework, amendments to the leverage ratio exposure measure and the introduction of a leverage ratio buffer for Global Systemically Important Banks (the "**G-SIBs**"), which will take the form of a Tier 1 capital buffer set at 50% of a G-SIB's risk-weighted capital buffer. The reforms also introduced an aggregate output floor, which will ensure that banks' RWAs generated by internal models used in the IRB approach are no lower than 72.5% of RWAs as calculated by the Basel III framework's standardised approaches. The Basel IV reforms have been implemented, with the exception of the new output floor requirement, which will be phased in by the end of 2027, becoming fully effective on 1 January 2028.

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

1.7.7 Risks Relating to the Guarantors and the Guarantees

The Bonds in issue are, and further Bonds issued under the Programme will be, unconditionally and irrevocably guaranteed and secured by each Obligor 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, right and undertaking of each Obligor (the "**Security**"), in the case of Anglian Water to the extent permitted by the WIA and Licence. Each such guarantee constitutes a direct, unconditional and secured obligation of each Obligor secured in the manner described in Chapter 8, "*Terms and Conditions of the Bonds – Security, Priority and Relationship with Secured Creditors*". The Security is held by the Security Trustee on trust for the Secured Creditors (as defined below) under the terms of the Security Agreement, subject to the terms of the STID (as defined below).

Although the Bondholders will have the benefit of the relevant guarantees, it should be noted that, in respect of the Obligors, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited do not have any significant assets other than the shares in their respective subsidiaries. There can thus be no assurance that creditors will be able to recover all amounts due to them in full.

1.8 Risks relating to the structure of a particular issue of Bonds

1.8.1 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**") issued under the Programme must determine for themselves the relevance of the information in the applicable Final Terms (for example, regarding the use of proceeds) for the purpose of any investment in the Sustainable Bonds together with any other investigation such investors deem necessary. No assurance is or can be given to investors that the Green Eligible Categories, the Eligible Green Portfolio, the Social Eligible Categories, the Eligible Social Portfolio, the Sustainability Eligible Categories or the Eligible

Sustainability Portfolio (each as defined in Chapter 9 "*Use of Proceeds*") will meet or continue to meet on an ongoing basis any or all investor expectations regarding investment in a "green bond", "green", "social bond", "social", "sustainability bond", "sustainability", "sustainable" or similar labels (including but not limited to the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy Regulation**") and any related technical screening criteria, Regulation (EU) 2023/2631 on European Green Bonds (the "**EU Green Bond Standard Regulation**"), Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the "**SFDR**"), and any implementing legislation and guidelines, or any similar legislation in the United Kingdom or any market standards or guidance, including the principles or guidance published by the International Capital Market Association's ("**ICMA**")) or any requirements of such labels as they may evolve from time to time. A basis for determining the definitions of "green" and "sustainable" has been established in the EU with the publication of the EU Taxonomy Regulation, the EU Green Bond Standard Regulation and the SFDR. The EU Taxonomy Regulation has been subject to further development by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the EU Taxonomy Regulation. It is not clear at this stage the impact which the EU Green Bond Standard Regulation may have on investor demand for, and pricing of, green use of proceeds bonds (such as the Sustainable Bonds) that do not meet such standard or do not elect to use the optional disclosure templates. It could reduce demand and liquidity for the Sustainable Bonds and their price. Whilst the EU Green Bond Standard Regulation provides a supervisory regime for external reviewers of green bonds aligned with the European green bond standard, any report, assessment, opinion or certification of any third party (whether or not solicited by the Issuer or any affiliate) made available in connection with an issue of Sustainable Bonds will not be subject to regulatory oversight.

The FCA has introduced its anti-greenwashing rule which requires communications to be (a) consistent with the sustainability characteristics of the product or service and (b) fair, clear and not misleading. As at the date of this Prospectus, the outcome of its consultation on its proposed "Guidance on the anti-greenwashing rule" has not been published. However, the guidance refers to "sustainability characteristics" as being, in the FCA's view, "environmental or social characteristics", though also notes that there is no single definition of sustainability. Accordingly, no assurance is or can be given by the 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.

In connection with the issue of Sustainable Bonds under the Programme, the Issuer and/or AWS may request consultants and/or institutions with recognised social and environmental expertise to issue an opinion (i) confirming that the Eligible Green Portfolio (as defined in Chapter 9 "*Use of Proceeds*" below) has been defined in accordance with the broad categorisation of eligibility for green investments set out in ICMA's Green Bond Principles 2021 (with Appendix I of June 2022) and the Loan Market Association's ("**LMA**") Green and Social Loan Principles 2023, (ii) confirming

that the Eligible Social Portfolio (as defined in Chapter 9 "*Use of Proceeds*" below) has been defined in accordance with the broad categorisation of eligibility for social investments set out in the ICMA's Social Bond Principles June 2023 and the LMA's Green and Social Loan Principles 2023, (iii) confirming that the Eligible Sustainability Portfolio (as defined in Chapter 9 "*Use of Proceeds*" below) has been defined in accordance with the broad categorisation of eligibility for sustainability investments set out in the ICMA's Sustainability Bond Guidelines 2021 and the LMA's Green and Social Loan Principles 2023 and/or (iv) regarding the suitability of the Sustainable Bonds as an investment in connection with certain environmental, social, sustainability and/or sustainable investments (any such opinion, an "**External Review**").

Any External Review and the Anglian Water Services Limited/Anglian Water Services Financing Plc (i) Sustainable Finance Framework and (ii) Sustainability-Linked Finance Framework[1] are not and nor shall they be deemed to be, incorporated in and/or form part of this Prospectus. An External Review and/or the Anglian Water Services Limited/Anglian Water Services Financing Plc Sustainable Finance Framework or Sustainability-Linked Finance Framework may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Green Bonds, Eligible Green Portfolio, Social Bonds, Eligible Social Portfolio, Sustainability Bonds or Eligible Sustainability Portfolio. An External Review and/or the Anglian Water Services Limited/Anglian Water Services Financing Plc Sustainable Finance Framework or Sustainability-Linked Finance Framework would not constitute a recommendation to buy, sell or hold securities and would only be current as of the date it is released. Prospective investors must determine for themselves the relevance of the Anglian Water Services Limited/Anglian Water Services Financing Plc Sustainable Finance Framework and/or Sustainability-Linked Finance Framework, any External Review and/or the information contained therein and/or the provider of any External Review for the purpose of any investment in the Sustainable Bonds. In particular, no assurance or representation is or can be given to investors that an External Review and/or the Anglian Water Services Limited/Anglian Water Services Financing Plc Sustainable Finance Framework and/or Sustainability-Linked Finance Framework will reflect any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. The Bondholders have no recourse against the provider of any External Review, the Anglian Water Services Limited/Anglian Water Services Financing Plc Sustainable Finance Framework and/or Sustainability-Linked Finance Framework. In addition, although the Issuer may agree at the time of issue of any Sustainable Bonds to certain reporting and use of proceeds obligations it would not be an event of default under the Bonds if the Issuer fails to comply with such obligations. A withdrawal of an External Review may affect the value of such Sustainable Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green, social, sustainability and/or sustainable assets. See Chapter 1.8.8 "*The Step Up Bonds may not meet investors'* expectations or requirements related to sustainability".

[1] Both documents can be found in the Anglian Water Group Sustainable Finance Framework at https://www.anglianwatergroup.co.uk/sustainability, the contents of which do not form part of this Prospectus.

Furthermore, it should be noted that no member of the AWS Financing Group, no Dealer or any of their respective affiliates nor any other person makes any representation, warranty or assurance as to the suitability of the Sustainable Bonds to fulfil environmental, social, sustainability and/or sustainable criteria required by prospective investors. No member of the AWS Financing Group is responsible for, and no representation or assurance is given by the Dealers or any of their respective affiliates as to the suitability or reliability of, any third party assessment of the Green Eligible Categories, Social Eligible Categories or Sustainability Eligible Categories (each as defined in Chapter 9, "*Use of Proceeds*"). Nor is any Dealer or any of their respective affiliates responsible for (i) any assessment of the Green Eligible Categories, or (ii) any verification of whether the Eligible Green Projects fall within the Green Eligible Categories, or (iii) any assessment of the Social Eligible Categories, or (iv) any verification of whether the Eligible Social Projects fall within the Social Eligible Categories, or (v) any assessment of the Sustainability Eligible Categories, or (vi) any verification of whether the Eligible Sustainability Projects fall within the Sustainability Eligible Categories, or (vii) the use of proceeds, the impact or its monitoring, or (viii) any such failure of the net proceeds to being applied to the Green Eligible Categories, Social Eligible Categories or Sustainability Eligible Categories or withdrawal therefrom.

1.8.2 Bonds that reference SONIA

The Issuer may issue Floating Rate Bonds referencing the Sterling Overnight Index Average ("**SONIA**").

The Interest Rate on any Floating Rate Bonds referencing SONIA will be determined on the basis of Compounded Daily SONIA or by reference to an index known as the "SONIA Compounded Index" administered by the Bank of England. The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Bonds that reference a SONIA rate issued under this Prospectus. In addition, the Bank of England could amend, modify or withdraw SONIA Compounded Index or the methodology for determining such index, and there is no guarantee that such index will be widely used in the marketplace. The development of Compounded Daily SONIA as interest reference rates for the Eurobond markets, as well as continued development of SONIA-based rates for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-referenced Bonds issued under the Programme from time to time.

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 12(a) (*Events of Default*) or are otherwise 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 and shall not be reset thereafter.

1.8.3 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, or the value of, financial instruments ("**Benchmarks**"), have been the subject of national and international regulatory scrutiny and reform. Some reforms are already effective, while others remain to be implemented, and further changes are anticipated. These reforms may cause a Benchmark to perform differently than in the past, to be discontinued, or to have other consequences that cannot be predicted. Any such consequence could have a material adverse effect on any Bonds referencing the affected Benchmark.

Regulation (EU) 2016/1011 (as amended, the "**EU Benchmarks Regulation**") and the EU Benchmarks Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") apply, among other things, to the provision of, contribution of input data to, and use of, in-scope benchmarks in the EU and the UK, respectively. Each regime requires benchmark administrators to be authorised or registered (or, if third-country based, to be subject to an equivalent regime, or otherwise recognised or endorsed) and, in each case, prohibits the use by supervised entities of benchmarks whose administrators do not meet those requirements.

Following amendments to the EU Benchmarks Regulation which took effect on 1 January 2026, the scope of the EU Benchmarks Regulation has been narrowed and now applies primarily to critical benchmarks, significant benchmarks, EU climate transition benchmarks, Paris-aligned EU benchmarks and certain commodity benchmarks. As a critical benchmark, EURIBOR remains within the scope of the amended EU Benchmarks Regulation. Corresponding amendments have not been made to the UK Benchmarks Regulation, resulting in divergence between the two regimes, and further changes may be introduced under either regime in the future.

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation (and any related international or national reforms) could have a material impact on any Bonds linked to EURIBOR or another affected Benchmark, in particular where: (i) a Benchmark ceases to be published, calculated or administered; (ii) an index which is a Benchmark cannot be used by supervised entities because its administrator is not authorised, registered, recognised or endorsed (as applicable); or (iii) the methodology or other terms of a Benchmark are changed to comply with either regime, which could have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level. More broadly, these reforms could increase the costs and risks of administering, or otherwise participating in the setting of, a Benchmark, which may discourage market participants from continuing to administer or contribute to certain Benchmarks, trigger changes to their rules or methodologies, or lead to their discontinuance or unavailability.

Any of the above could adversely affect the value of, and return on, Bonds linked to a Benchmark, and could lead to such Bonds being de-listed, redeemed early or otherwise affected, depending on the particular Benchmark and the applicable terms of the Bonds.

Prospective investors are referred to 1.8.4 "Risk Factors – Risks relating to all Bond Issuances – Fallback arrangements could adversely affect Floating Rate Bonds" of the "Risk Factors" section of this Prospectus for further information on the fallback arrangements that would apply on the occurrence of a Benchmark Event.

1.8.4 Fallback arrangements could adversely affect Floating Rate Bonds

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

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

Furthermore, the Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate and, in either case, an Adjustment Spread, in accordance with the Conditions before the next Interest Determination Date, which is likely to result in Bonds linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

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

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Bonds is to be determined, the Conditions provide that the Rate of Interest in respect of the Bonds shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions and the ISDA Benchmarks Supplement as published by the International Swaps and Derivatives Association, Inc., as may be amended or supplemented from time to time (the "**ISDA Benchmark Supplement**"). Where the Floating Rate Option specified is a "EURIBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If 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 Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Bonds.

The Issuer may enter into hedging transactions to hedge the floating rate exposure of a Floating Rate Bond. The fallback arrangements in respect of such hedging transactions could be different to those in the Floating Rate Bonds which could lead to a mismatch between the Floating Rate Bond and the hedging transaction. This could leave the Issuer exposed to a mismatch risk which it otherwise would not have been.

The impact of these conditions could be detrimental to the Issuer and/or the Guarantors and, in each case, could adversely affect: its business, operations and profitability; its solvency and the solvency of its counterparties, custodians, customers and service providers; the value and liquidity of its assets and liabilities and the credit rating of the Bonds.

1.8.5 Index Linked Bonds

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

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

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

(ii) they may receive no interest;

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

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

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

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

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

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

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.

1.8.6 Fundamental Changes to RPI, HICP, CPI or CPIH

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

The formula used by the Office for National Statistics for calculating RPI, CPI or CPIH may change over time. Such a change in the methodology for calculating RPI, CPI or CPIH may affect the actual RPI, CPI or CPIH figure. Consequently, the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of 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 used for calculating CPIH no earlier than 2030.

At the time of issue of any Index Linked Bonds, the applicability or non-applicability of Condition 8, 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.

1.8.7 Step Up Bonds may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics

On 14 February 2024, the Anglian Water Group adopted a framework relating to its sustainability strategy and targets, drafted in accordance with the Sustainability-Linked Bond Principles (the "SLBP") administered by the International Capital Markets Association (ICMA) (as amended from time to time, the "**Sustainability-Linked Finance Framework**"). The Sustainability-Linked Finance Framework has been reviewed by DNV, which provided a second party opinion confirming its alignment with the five pillars of the SLBP (the "**Sustainability-Linked Finance Framework Second-party Opinion**"). In addition, Anglian Water's performance in relation to each Key Performance Indicator against each corresponding Sustainability Performance Target will be verified by the External Verifier (as defined in Condition 6(c) (Step up Option)) on an annual basis.

A Sustainability-Linked Finance Framework Second-party Opinion may not reflect the potential impact of all risks that may affect the value of Step Up Bonds, does not constitute a recommendation to buy, sell or hold securities and is only current as at the date it is delivered. The second-party opinion providers, External Verifiers and other providers of similar opinions, verifications and certifications are not currently subject to any specific regulatory or other regime or oversight. None of the Issuer, the Guarantors, the Arranger or the Dealers (or any of their respective affiliates) assume any obligation or responsibility to release any update or revision to the Sustainability-Linked Finance Framework, to monitor the performance of any Key Performance Indicator relative to the Baselines, or to appoint the External Verifier or any second-party opinion provider, and none of them can guarantee performance of (or offer any assurance in respect of) any Key Performance Indicator or Sustainability Performance Target.

Bondholders have no recourse against the Issuer, the Guarantors, the Arranger, any of the Dealers or the provider of any such opinion or certification for the contents of any such opinion or certification, which is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein for the purpose of any investment in the Step Up Bonds. Any withdrawal of, or qualification in, any such opinion or certification or any such opinion or certification attesting that the Anglian

Water Group is not complying in whole or in part with any matters for which such opinion or certification is opining on or certifying on may have a material adverse effect on the value of the Step Up Bonds and/or result in adverse consequences for certain investors with portfolio mandates to invest in sustainability-linked assets. Even where a Sustainability-Linked Finance Framework Second-party Opinion is obtained, no assurance can be given by the Issuer, the Guarantors, the Arranger, the Dealers, any second-party opinion provider or the External Verifier that the Step Up Bonds, the KPIs, the SPTs or the Baselines will meet any or all investor expectations regarding the Step Up Bonds or the Anglian Water Group's targets qualifying as "sustainable" or "sustainability-linked".

1.8.8 The Step Up Bonds may not meet investors' expectations or requirements related to sustainability

The definition (legal, regulatory or otherwise) of, or market consensus as to what constitutes, an "ESG" (Environmental, Social or Governance), "green", "sustainable", "sustainability-linked", "social" or an equivalently-labelled product, or as to what precise attributes are required for a particular investment, product or asset to be defined as "ESG", "green", "sustainable", "sustainability-linked", "social" or such other equivalent label remains evolving. No assurance can be given that a clear definition, consensus or label will develop over time or that, if it does, any Step Up Bonds will comply with such definition, market consensus or label. No assurance can be given by the Issuer, the Guarantors, the Arranger, the Dealers (or any of their respective affiliates) or any other person that any Step Up Bonds will comply with any present or future standards or requirements regarding any "green" or other equivalently-labelled performance objectives, including under the EU Taxonomy Regulation or the EU Green Bond Standard Regulation (each as defined in, and further described in, Chapter 1.8.1 "Risks Relating to Green Bonds, Social Bonds and Sustainability Bonds").

There can be no assurance or certainty as to Anglian's ESG performance, alignment or compliance of any investments planned in the Anglian Water Group's sustainability strategy (and underlying the Step Up Bonds through their link to certain key performance indicators) with any regulatory regime or with any affiliate or third-party assessment, nor any future ESG performance, alignment to or compliance with any regulatory regime or with any affiliate or third-party assessment. Neither does Anglian make any representation or assurances as to the viability of the investment for ESG purposes. Investors should make their own assessment as to the suitability or reliability for any purpose whatsoever of any opinion, report or certification of any third party in connection with the offering of Step Up Bonds. Any such opinion, report or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus.

Although the interest rate relating to the Step Up Bonds is subject to upward adjustment in certain circumstances specified in the Conditions, such Bonds may not satisfy an investor's requirements or any future legal or quasi legal standards for investment in assets with sustainability characteristics. The Bonds described above are not being marketed as green bonds and are not intended to be listed on any market segment that is specific to green bonds, since the Anglian Water Group expects to use the relevant net proceeds for general corporate purposes and/or any other identified purpose as set

out in the applicable Final Terms and therefore does not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria, or be subject to any other limitations associated with green bonds.

In addition, the interest rate adjustment in respect of the above-mentioned Step Up Bonds depends on a definition of "Net Operational Carbon Emissions", "Capital Carbon Emissions", "Natural Household Water Abstraction", and "PSR Adoption" that may be inconsistent with investor requirements or expectations or other definitions relevant to greenhouse gas ("**GHG**") emissions, water abstraction and what constitutes a billed domestic property. The Anglian Water Group includes within Net Operational Carbon Emissions all operational GHG emissions (being all Scope 1 emissions, Scope 2 emissions and some Scope 3 emissions which are limited to business travel, outsourced activities within the Perimeter and transmission and distribution losses) within the Perimeter measured by tCO2e. The Anglian Water Group defines Capital Carbon Emissions as the GHG emissions associated with the construction and maintenance of infrastructure assets, including (without limitation) GHG emissions associated with its carbon footprint as a result of the construction projects undertaken within the Perimeter, covering the extraction, transportation and processing of raw materials and from site construction activities required to create or maintain a built asset, or part thereof, measured by tCO2e, which for the avoidance of doubt does not include any GHG emissions which form part of the Net Operational Carbon Emissions. The Anglian Water Group defines Natural Household Water Abstraction as the water extracted for household use as a result of, within the Perimeter, the process of extracting water from natural sources, measured by the average daily amount of water (in litres) abstracted directly from rivers, reservoirs and groundwater, for household use, per capita in a year. The Anglian Water Group defines PSR Adoption as the proportion of households registered with Anglian Water Group's priority services register (the "**Priority Service Register**"), measured as a percentage of billed domestic properties, excluding any void properties, supplied with water and/or wastewater services within the Perimeter.

Although the Anglian Water Group targets: (A) decreasing its (i) Net Operational Carbon Emissions, (ii) Capital Carbon Emissions and (iii) Natural Household Water Abstraction, and (B) increasing its PSR Adoption, there can be no assurance of the extent to which it will be successful in doing so. Nor can there be any assurance that any future investments the Anglian Water Group makes in furtherance of these targets will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact. Adverse environmental or social impacts may occur during the design, construction and operation of any investments the Anglian Water Group makes in furtherance of these targets or such investments may become controversial or criticized by activist groups or other stakeholders.

No Potential Event of Default, Event of Default, Trigger Event or Potential Trigger Event shall occur under the Step Up Bonds, nor will the Issuer or the Guarantors be required to repurchase or redeem such Bonds, if the Anglian Water Group fails to meet any Sustainability Performance Target.

1.8.9 The baseline that Sustainability Performance Targets are measured against in relation to Step Up Bonds may change during the life of any Step Up Bonds

Step Up Bonds may be issued which are linked to certain Key Performance Indicators and in relation to which a Step Up Event may trigger the payment of a Step Up Margin, meaning that payment of amounts in respect of the Bonds may vary depending on the Anglian Water Group's actual performance in respect of the Key Performance Indicators. If the Anglian Water Group fails to meet certain Sustainability Performance Targets as specified in the applicable Final Terms in relation to these Key Performance Indicators, a Step Up Event will occur, as a result of which a Step Up Margin will be applied. The Sustainability Performance Targets are measured against the Capital Carbon Emissions Baseline, the Net Operational Carbon Emissions Baseline, the Natural Household Water Abstraction Baseline or the PSR Adoption Baseline (the "Baselines"). The Arranger, the Dealers or any of their respective affiliates do not assume any obligation or responsibility to monitor the measurement of or performance in respect of such Key Performance Indicators.

Notwithstanding that the Step Up Margin is dependent on the Anglian Water Group's actual performance in respect of the Key Performance Indicators relative to the Baselines, the Baselines may be adjusted.

The Baselines and/or SPTs may be adjusted in good faith to account for Significant Changes if the changes drive an increase or a decrease in KPI performance of greater than 5 per cent. The Anglian Water Group may also (acting in good faith) choose to recalculate the Baselines and/or SPTs for Significant Changes which drive an increase or decrease in KPI performance of less than 5 per cent., especially when structural changes occur. Structural changes include changes that significantly impact base year GHG emissions, water abstraction or Priority Service Register sign-up data recording, such as acquisitions, divestitures or mergers.

Any recalculation or adjustment of a Baseline in such circumstances may increase or decrease the amount of GHG emissions, the level of natural water abstraction recorded, or billed domestic properties, in each case comprising such Baseline, and may therefore increase or decrease the total amount of relevant GHG emissions that may be produced by the Anglian Water Group, the level of natural water abstraction by the Anglian Water Group, or billed domestic properties served by the Anglian Water Group, while still being able to satisfy the relevant SPT to which that Baseline relates (or, similarly, decrease (i) the total amount of reduction or avoidance in the relevant GHG emissions, (ii) the total amount of reduction in water abstraction, or (iii) the percentage of sign-ups to the Priority Service Register, required pursuant to such SPT), thus avoiding the occurrence of a Step Up Event. The Arranger, the Dealers or any of their respective affiliates assume no responsibility in respect of any recalculation or adjustment of any Baseline or any related revision of any SPT.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents

(a) (i) the Terms and Conditions of the Bonds as contained at pages 147 to 179 (inclusive) of the offering circular dated 23 July 2002; (ii) the Terms and Conditions of the Bonds as contained at pages 146 to 178 (inclusive) of the offering circular dated 24 June 2003; (iii) the Terms and Conditions of the Bonds as contained at pages 145 to 177 (inclusive) of the offering circular dated 28 July 2004; (iv) the Terms and Conditions of the Bonds as contained at pages 143 to 175 (inclusive) of the base prospectus dated 23 September 2005; (v) the Terms and Conditions of the Bonds as contained at pages 141 to 174 (inclusive) of the base prospectus dated 2 October 2006; (vi) the Terms and Conditions of the Bonds as contained at pages 175 to 214 (inclusive) of the base prospectus dated 20 September 2007; (vii) the Terms and Conditions of the Bonds as contained at pages 179 to 219 (inclusive) of the base prospectus dated 23 September 2008; (viii) the Terms and Conditions of the Bonds as contained at pages 154 to 187 (inclusive) of the base prospectus dated 30 September 2009; (ix) the Terms and Conditions of the Bonds as contained at pages 159 to 192 (inclusive) of the base prospectus dated 1 October 2010; (x) the Terms and Conditions of the Bonds as contained at pages 184 to 217 (inclusive) of the base prospectus dated 6 October 2011; (xi) the Terms and Conditions of the Bonds as contained at pages 222 to 272 (inclusive) of the base prospectus dated 12 October 2012; (xii) the Terms and Conditions of the Bonds as contained at pages 247 to 299 (inclusive) of the base prospectus dated 4 October 2013; (xiii) the Terms and Conditions of the Bonds contained at pages 264 to 319 (inclusive) of the base prospectus dated 9 October 2014; (xiv) the Terms and Conditions of the Bonds contained at pages 259 to 314 (inclusive) of the base prospectus dated 7 October 2015; (xv) the Terms and Conditions of the Bonds contained at pages 263 to 322 (inclusive) of the base prospectus dated 12 September 2016; (xvi) the Terms and Conditions of the Bonds contained at pages 285 to 348 (inclusive) of the base prospectus dated 21 July 2017; (xvii) the Terms and Conditions of the Bonds contained at pages 290 to 352 (inclusive) of the base prospectus dated 23 July 2018; (xviii) the Terms and Conditions of the Bonds contained at pages 268 to 326 (inclusive) of the base prospectus dated 30 September 2019; (xix) the Terms and Conditions of the Bonds contained at pages 242 to 308 (inclusive) of the base prospectus dated 19 October 2020; (xx) the Terms and Conditions of the Bonds contained at pages 261 to 339 (inclusive) of the base prospectus dated 24 October 2022; (xxi) the Terms and Conditions of the Bonds contained at pages 280 to 358 (inclusive) of the base prospectus dated 10 October 2023; (xxii) the Terms and Conditions of the Bonds contained at pages 287 to 367 (inclusive) of the base prospectus dated 9 October 2024 and (xxiii) the Terms and Conditions of the Bonds contained at pages 287 to 367 (inclusive) of the base prospectus dated 9 October 2025, in each case, in connection with the Programme;

(b) for the financial years ended 31 March 2025 and 2026 (i) the audited consolidated annual financial statements of Anglian Water with the audit report thereon (respectively, the "**2025 Annual Integrated Report**" and the "**2026 Annual Integrated Report**"); (ii) the audited annual performance report of AWS

(respectively, the "**2025 Annual Performance Report**" and the "**2026 Annual Performance Report**"); (iii) the audited annual financial statements of the Issuer with the audit report thereon; (iv) the audited annual financial statements of Anglian Water Services Holdings Limited with the audit report thereon; and (v) the audited financial statements for AWS UK Parent Co with the audit report thereon, which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Conduct Authority or filed with it (see Chapter 16, "*General Information*" for a description of the financial statements currently published by each of the Issuer and the other Obligors); and

(c) (i) future audited annual consolidated financial results of AWS and future reviewed interim consolidated financial results of AWS; (ii) future annual audited financial statements of AWS, as set out in the annual performance report of AWS; (iii) future audited annual financial statements of the Issuer and future unaudited interim financial statements of the Issuer; (iv) future audited annual financial statements of Anglian Water Services Holdings Limited; and (v) future audited annual financial statements for AWS UK Parent Co, in case of each audited financial statements, with the audit report thereon, when any such financial statements , in case of each audited financial statements, with the audit report thereon, are published on https://www.anglianwatergroup.co.uk/debt-investors/results-and-financial-statements and the website of the Regulatory News Service operated by the London Stock Exchange at https://www.londonstockexchange.com/news in accordance with the requirements of the PRM during the 12-month period of validity of this Base Prospectus,

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

Emphasis of matter – special purpose basis of preparation

The independent auditors' report in the 2026 Annual Performance Report contains the following emphasis of matter statement:

"We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.16, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom International Accounting Standards ("UK IASs"). Financial information other than that prepared on the basis of UK IASs does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 48 to 200 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter."

The independent auditors' report in the 2025 Annual Performance Report contains the following emphasis of matter statement:

"We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom international accounting standards ("UK IASs"). Financial information other than that prepared on the basis of UK IASs does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 45 to 189 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter."

The independent auditors' report in the future annual audited financial statements of AWS, as set out in the annual performance report of AWS, will contain an emphasis of matter statement in a the same format.

Copied of documents incorporated by reference

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the registered office of the Issuer and from the Issuer's website at https://www.anglianwatergroup.co.uk/debt-investors/reports-prospectuses-and-certificates. In

addition, copies of such documents will be available on the website of the Regulatory News Service operated by the London Stock Exchange at https://www.londonstockexchange.com/news.

The table below sets out the relevant page references for the audited financial statements and the audit reports of each of the Obligors other than Anglian Water Services UK Parent Co Limited and Anglian Water Services Holdings Limited, as the case may be, for the financial years ended 31 March 2026 and 31 March 2025 which are incorporated by reference herein.

Audited Consolidated Annual Financial Statements of AWS

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2026 Annual Performance Report and 2025 Annual Performance Report of AWS

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Audited Annual Financial Statements of Anglian Water Services Financing Plc

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Any information or documents themselves incorporated by reference in the documents incorporated by reference 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.

Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites included in this Prospectus, or included in any document incorporated by reference into this Prospectus, are not incorporated into, and do not form part of, this Prospectus.

SUPPLEMENTARY PROSPECTUS

If at any time any Issuer shall be required to prepare a supplemental prospectus pursuant to PRM 10.1, the Issuer shall prepare and make available an appropriate supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Bonds to be listed on the Official List and admitted to trading on the Market, shall constitute a supplemental prospectus as required by PRM 10.1.

CHAPTER 1
PARTIES

Account Bank	Barclays Bank PLC, a public limited company, registered in England of 1 Churchill Place, London, E14 5HP, authorised and regulated by the FCA with registered number 1026167 ("**Barclays Bank PLC**"), or any person for the time being acting as Account Bank pursuant to the Account Bank Agreement.
Anglian Water	Anglian Water Services Limited, a water and water recycling undertaker under the Instrument of Appointment, and a wholly-owned subsidiary of AWG Group Limited
Anglian Water Group	AWGL and its subsidiaries (including Anglian Water); for the avoidance of doubt, references to the "**Anglian Water Group**" shall be to AWG Parent Co Limited and its subsidiaries (including Anglian Water) for any period prior to the acquisition of AWG Parent Co Limited (then AWG plc) by Osprey Acquisitions Limited.
Anglian Water Services Financing Group	Anglian Water Services Holdings Limited, Anglian Water Services UK Parent Co Limited, Anglian Water and Anglian Water Services Financing Plc (the "**Obligors**").
Anglian Water Services Holdings Limited	Anglian Water Services Holdings Limited, a company incorporated under the laws of England and Wales and a wholly-owned subsidiary of AWG Group Ltd.
Anglian Water Services UK Parent Co Limited	Anglian Water Services UK Parent Co Limited, a company incorporated under the laws of England and Wales and a wholly-owned subsidiary of Anglian Water Services Holdings Limited.
Arranger	Barclays Bank PLC is the arranger of the Programme.
Authorised Credit Providers	Export Development Canada ("**EDC**") as lender in respect of the term loan facility (the "**EDC Authorised Loan Facility**") provided to the Issuer by EDC; Deutsche Bank AG, London Branch as authorised credit facility agent in respect of the Index Linked term loan facility (the "**CPIH Authorised Loan Facility**") provided to the Issuer by, among others, MIDF UK2 Ireland DAC; National Westminster Bank Plc ("**National Westminster Bank**") as authorised credit facility agent in respect of the term loan facility agreement (the "**National Westminster Bank Authorised Loan Facility**") provided to the Issuer by National Westminster Bank; Barclays Bank PLC as authorised credit facility agent in respect of the syndicated revolving credit facility (the "**Syndicated Authorised Loan Facility** ") provided to the Issuer by, among others, Barclays Bank PLC; the European Investment Bank ("**EIB**") as lender in respect of the credit facility (the "**EIB Authorised Loan**

	Facility") provided to the Issuer by the EIB, in each case (other than the EIB Authorised Loan Facility), syndicated to certain other banks or financial institutions (each an "**Authorised Credit Provider**") which agreed to provide credit facilities to the Issuer and/or Anglian Water; and CaixaBank, S.A. United Kingdom Branch ("**Caixa**") as authorised credit facility agent in respect of the revolving credit facility agreement (the "**Caixa Authorised Loan Facility**") provided to the Issuer by Caixa. See Chapter 6, "*Financing Structure*".
AWG Group Ltd	AWG Group Limited (formerly Anglian Water plc), a company incorporated under the laws of England and Wales and formerly listed on the London Stock Exchange and a wholly-owned subsidiary of AWG (UK) Holdings Limited.
AWG Parent Co Limited	AWG Parent Co Limited, a company incorporated under the laws of England and Wales, formerly known as AWG plc and formerly admitted to the Official List of the FCA and to trading on the London Stock Exchange, a wholly-owned subsidiary of Osprey Acquisitions Limited.
AWGL	Anglian Water Group Limited, a company incorporated under the laws of Jersey, the ultimate Holding Company of the Anglian Water Group.
Bond Trustee	Deutsche Trustee Company Limited for and on behalf of the holders of each Series of Bonds (each a "**Bondholder**").
Cash Manager	Anglian Water (prior to a Standstill Period) and Barclays Bank PLC (during and following a Standstill Period) do and will, pursuant to the terms of the Common Terms Agreement, act as cash manager in respect of monies credited from time to time to the Accounts.
Common Depositary	The common depositary for Euroclear Bank SA/NV and Clearstream Banking, S.A. will be appointed by Euroclear Bank SA/NV and Clearstream Banking S.A. Such appointment is subject to change during the Programme at their sole discretion, and without the need to obtain any further consent.
Consortium	The Consortium formed for the purposes of acquiring the share capital of AWG Parent Co Limited and comprising of CPPIB Investment Board Private Holdings (6) Inc., Global InfraCo (HK) E. Limited, Ford Water Holdco (UK) Limited, Camulodunum Investments Ltd and Platinum Globe A 2013 RSC Limited.
Dealers	Bank of China Limited, London Branch, Barclays Bank PLC, BNP PARIBAS, CaixaBank, S.A., Canadian Imperial Bank of Commerce, London Branch, Deutsche Bank AG, London Branch, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc, NatWest Markets Plc and SMBC

	Bank International plc will act as dealers (together with any other dealer appointed from time to time by the Issuer, the "**Dealers**"), in respect of the Programme.
Debt Service Reserve Liquidity Facility Providers	HSBC UK Bank plc a public limited company registered in England of 1 Centenary Square, Birmingham, B1 1HQ, authorised and regulated by the FCA with company number 09928412 ("**HSBC UK Bank plc**") and SMBC Bank International plc, a public limited company registered in England of 100 Liverpool Street, London EC2M 2AT, authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority with company number 04684034 ("**SMBC Bank International plc**") agreed to provide a liquidity facility (the "**Class A Debt Service Reserve Liquidity Facility**") for interest requirements on Class A Debt; Assured Guaranty Inc. ("**AG**"), an insurance company organised under the laws of the State of Maryland, United States of America, having its principal office at 2405 York Road, Suite 201, Lutherville Timonium, MD 21093-2264 U.S.A., that pursuant to a merger by operation of law with Assured Guaranty Municipal Corp ("**AGM**"), effective from 1 August 2024, agreed to provide a guarantee to fund certain shortfalls in relation to Class A Debt payment obligations (the "**AG Guarantee**") and Assured Guaranty UK Limited ("**AGUK**"), a limited liability company incorporated under the laws of England and Wales whose registered office is at 6 Bevis Marks, London, EC3A 7BA, agreed to provide a guarantee to fund certain shortfalls in relation to Class A Debt payment obligations (the "**AGUK Guarantee**" and, together with the AG Guarantee, the "**Liquidity Facility Guarantees**") (the Liquidity Facility Guarantees, together with the Class A Debt Service Reserve Liquidity Facility, the "**Debt Service Reserve Liquidity Facilities**").

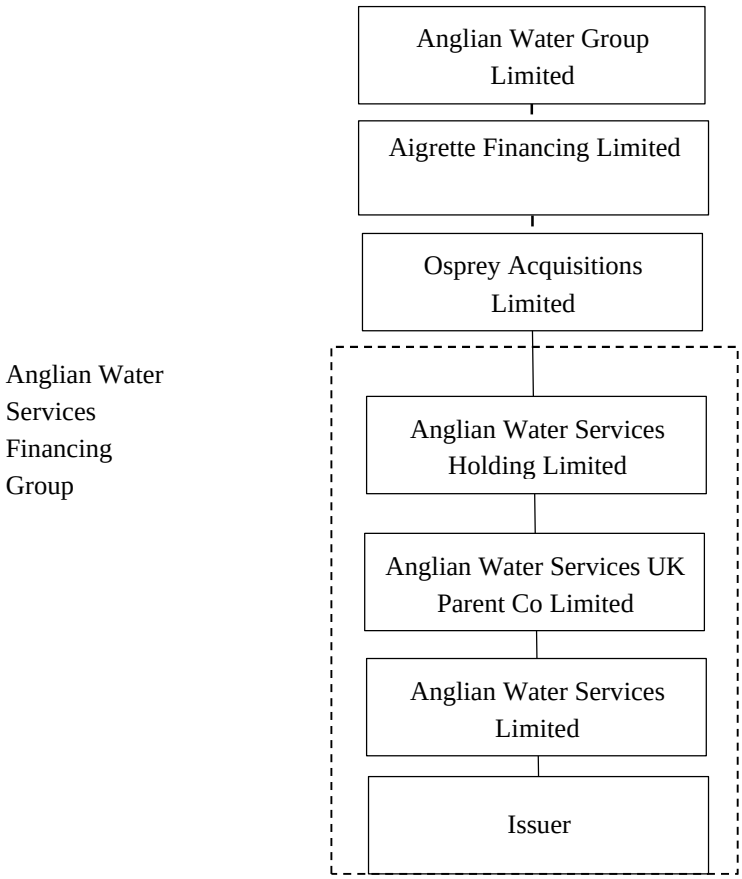
Hedge Counterparties	Abbey National Treasury Services plc, Barclays Bank PLC, BNP PARIBAS, a société anonyme incorporated in France, registered with the Paris Register of Trade and Companies under number 662 042 449 ("**BNP PARIBAS**"), Crédit Agricole Corporate and Investment Bank ("**CACIB**"), Commonwealth Bank of Australia (ABN 48 123 123 124), a public limited company of Level 25, Darling Park Tower 1, 201 Sussex Street, Sydney NSW 2000 ("**Commonwealth Bank of Australia**"), HSBC Bank plc, J.P. Morgan Securities plc, a limited company authorised by the FCA of 25 Bank Street, Canary Wharf, London, E14 5JP with registered number 2711006 ("**J.P. Morgan Securities plc**"), Lloyds Bank Corporate Markets plc, Morgan Stanley & Co. International plc, authorised and regulated by the FCA of 25 Cabot Square, London E14 4QA, with registered number 02068222 ("**Morgan Stanley & Co.**"), SMBC Nikko Capital Markets Limited of 100 Liverpool Street, London EC2M 2AT ("**SMBC Nikko Capital Markets Limited**"), The Bank of Nova Scotia of 40 King Street West, Scotia Plaza, 55th Floor, Toronto, Canada M5H 1H1 ("**The Bank of Nova Scotia**"), Sumitomo Mitsui Banking Corporation, London Branch, MUFG Securities EMEA plc of Ropemaker Place, 25 Ropemaker Street, London, EC2Y 9AN ("**MUFG**") and The Toronto-Dominion Bank of 60 Threadneedle Street, London, EC2R 8AP ("**TD Bank**") (the "**Hedge Counterparties**").
Issuer	Anglian Water Services Financing Plc (LEI: 213800DL377MH46PDY63), formed in order to provide debt financing to Anglian Water in relation to its water and water recycling undertakings.
O&M Reserve Facility Provider	Barclays Bank PLC, BNP PARIBAS, London Branch and Lloyds Bank plc (together, the "**O&M Reserve Facility Provider**") agreed to provide a liquidity facility in respect of operating and maintenance expenditure (the "**O&M Reserve Facility**").
Obligors	The following parties have guaranteed and will guarantee certain obligations of each other Obligor in favour of the Security Trustee (for itself and on behalf of the Secured Creditors): (i) Anglian Water Services Holdings Limited, (ii) Anglian Water Services UK Parent Co Limited, (iii) Anglian Water and (iv) the Issuer (each an "**Obligor**").
Principal Paying Agent	Save in respect of the Bonds issued in Canadian dollars, Deutsche Bank AG, London Branch acts as issuing and principal paying agent and provides certain paying agency services to the Issuer in respect of Bearer Bonds.
Registrar and Exchange Agent	Deutsche Bank Trust Company Americas acts as registrar and exchange agent and provides certain registrar and exchange agent

	services to the Issuer in respect of Registered Bonds except in respect of Registered Bonds which are settled and cleared with CDS.
Secured Creditors	means any person who is a party to, or who has acceded to, the STID (as defined in Chapter 17, "*Index of Defined Terms*") as a Secured Creditor.
Security Trustee	Deutsche Trustee Company Limited acts as security trustee and holds, and is entitled to enforce, (for itself and on behalf of the Secured Creditors) the Security.
Transfer Agent	Deutsche Bank AG, London Branch acts as transfer agent and provides certain transfer agency services to the Issuer in respect of the Registered Bonds.

CHAPTER 2
OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Bonds, the applicable Final Terms. Words and expressions not defined in this overview shall have the same meanings as defined in Chapter 7, "Form of the Bonds" and in Chapter 8, "Terms and Conditions of the Bonds".

Description	Global Secured Medium Term Note Programme.
Relationship between the Issuer, the other Obligors and the Group:	The Issuer is a special purpose company established to raise money for use by the Anglian Water Services Financing Group. The Issuer is a wholly owned subsidiary of Anglian Water Services Limited ("**Anglian Water**"). Anglian Water is separated from the other businesses of the Anglian Water Group through the interposition of two intermediate special purpose holding companies, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited. Anglian Water Services UK Parent Co Limited is a wholly-owned subsidiary of Anglian Water Services Holdings Limited and an indirect subsidiary of Anglian Water Group Limited, the ultimate holding company of the Anglian Water Group. Anglian Water Services Holdings Limited is a wholly-owned direct subsidiary of AWG Group Ltd and an indirect subsidiary of Anglian Water Group Limited. Below is a diagram showing the ownership structure of Anglian Water Services Financing Group: Further details of the Financing Group can be found in Chapter 6 (*Financing Structure*) of this Prospectus.



Programme Size Up to €20,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*" above) aggregate nominal amount of Bonds outstanding at any time. For the purpose of calculating the euro equivalent of the aggregate nominal amount of Bonds issued under the Programme from time to time:

(i) the euro equivalent of Bonds denominated in another Specified Currency (as specified in the applicable Final Terms in relation to the Bonds, described in Chapter 7, "*Form of the Bonds*") shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Bonds or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of euro against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;

(ii) the euro equivalent of Dual Currency Bonds and Index Linked Bonds (each as specified in the applicable Final Terms in relation to the Bonds, described in Chapter 7, "*Form of the Bonds*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Bonds; and

(iii) the euro equivalent of Zero Coupon Bonds (as specified in the applicable Final Terms in relation to the Bonds, described in Chapter 7, "*Form of the Bonds*") and other Bonds issued at a discount or a premium shall be calculated in the manner

specified above by reference to the net proceeds received by the Issuer for the relevant issue.

Issuance in Classes	Bonds issued under the Programme have been and will be issued in series (each a "**Series**") and will be designated as "**Class A Bonds**". Notwithstanding the terms and conditions of the Finance Documents, following the entry into a deed poll granted by the Issuer and AWS in favour of the Security Trustee (for the benefit of all the Secured Creditors) dated 13 July 2021 the "**Class B Deed Poll**", the Bonds are and will be designated as "**Class A Bonds**" and no further issuance of "**Class B Bonds**" is permitted. Each Series comprises or will comprise one or more Tranches (each a "**Tranche**") of Bonds, 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 other Tranches of the same Series. The specific terms of each Tranche of Bonds are and will be set out in the applicable Final Terms.
Issue Dates	23 July 2002 (the "**Initial Issue Date**") and thereafter on such dates (each an "**Issue Date**") as agreed between the Issuer and the Dealers.
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 following restrictions applicable at the date of this Prospectus. See Chapter 15, "*Subscription and Sale and Transfer and Selling* Restrictions".
Bonds with a maturity of less than one year	Bonds issued on terms that they must be redeemed before their first anniversary 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 15, "*Subscription and Sale and Transfer and Selling Restrictions*".
Distribution	Bonds have been and may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Bonds in issue are, and any further Bonds issued under the Programme will be, denominated in euro, Sterling, U.S. dollars, yen, Canadian dollars, Australian dollars and, subject to any applicable legal and/or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities	Such maturities as may be specified in the applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Bonds have been and will be issued on a fully paid basis and may be issued at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.
Form of Bonds	The Bonds in issue at the date of the Base Prospectus have been issued under the Programme in bearer form. Further Bonds issued under the Programme will be issued in

	bearer or registered form as described in Chapter 7, "*Form of the Bonds*". Registered Bonds will not be exchangeable for Bearer Bonds and vice versa.
Fixed Rate Bonds	Fixed interest is and will be payable on such date or dates as specified in the applicable Final Terms and on redemption and will be calculated on the basis of such Day Count Fraction as specified in the applicable Final Terms.
Floating Rate Bonds	Floating Rate Bonds do and will bear interest at a rate determined on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service as indicated in the applicable Final Terms.
Step Up Option:	Fixed Rate Bonds and Floating Rate Bonds issued by the Issuer will be subject to a Step Up Option if the applicable Final Terms indicates that the Step Up Option is applicable. For any Step Up Bonds for which a Step Up Event occurs, if any, the Initial Rate of Interest (in the case of Fixed Rate Bonds) or the Initial Margin (in the case of Floating Rate Bonds) shall be increased by the Step Up Margin specified in the applicable Final Terms in relation to the SPT which triggered the Step Up Event, to be applied for any Interest Period commencing on or after the Interest Payment Date immediately following the Notification Date.
Index Linked Bonds	Payments of principal or interest in respect of Index Linked Redemption Bonds or of interest in respect of Index Linked Interest Bonds are and will be calculated by multiplying an Index Ratio, derived from: (i) the U.K. Retail Price Index (RPI) (all items) published by the Office for National Statistics or the relevant successor index; (ii) the Non-revised index of Consumer Prices excluding tobacco, or the relevant successor index, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (HICP); (iii) the U.K. Consumer Price Index (CPI) (for all items) published by the Office for National Statistics (2015 = 100) or the relevant successor index; or (iv) the U.K. Consumer Price Index including owner occupiers' housing costs (CPIH) (for all items) published by the Office for National Statistics (2015 = 100) or the relevant successor index, by an amount specified in the applicable Final Terms.
Other provisions in relation to Floating Rate Bonds and Index Linked Bonds	Floating Rate Bonds and Index Linked Bonds may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Bonds and Index Linked Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, is and will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as has been and may be agreed between the Issuer and the relevant Dealer.
Dual Currency Bonds	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Bonds will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Bonds	Zero Coupon Bonds will be offered and sold at a discount to their nominal amount and will not bear interest.
Instalment Bonds	The applicable Final Terms may provide that Bonds may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.
Redemption	The applicable Final Terms indicate and will indicate either that the relevant Bonds cannot be redeemed prior to their stated maturity (other than for taxation or indexation reasons if

applicable or following an Event of Default) or that such Bonds are or 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 as set out in the applicable Final Terms.

Bonds issued on terms that they must be redeemed before their first anniversary are subject to restrictions on their denomination and distribution, see "*Certain Restrictions" and "Bonds with a maturity of less than one year*" above.

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

The Issuer is only permitted to pay Early Redemption Amounts to the extent that in so doing it will not cause an Event of Default to occur or subsist.

Denomination of Bonds

Bonds have been and will be issued in such denominations as have been and may be agreed between the Issuer and the relevant Dealer save that (i) in the case of any Bonds which are to be offered to the public in an EEA Member State, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Bonds); (ii) unless otherwise permitted by then current laws and regulations, Bonds which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum specified denomination of £100,000 (or its equivalent in other currencies); and (iii) the minimum specified denomination of each Bond is and 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 Specified Currency, see "*Certain Restrictions" and "Bonds with a maturity of less than one year*" above.

Bonds may be issued in a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount.

Unless otherwise stated in the applicable Final Terms, the minimum specified denomination of each Definitive IAI Registered Bond will be U.S.$500,000 or its approximate equivalent in other Specified Currencies.

Taxation

Payments in respect of Bonds are and will be made free and clear of deductions or withholding on account of United Kingdom tax unless and save to the extent required by law in which case the Issuer (or the other Obligors, as the case may be) will make payments subject to the appropriate withholding or deduction.

In relation to Bonds (or Coupons relating to such Bonds) which are not USPP Bonds, if withholding or deduction is required as described above, no additional amounts are or will be paid by the Issuer (or other Obligors, as the case may be) in respect of such withholdings or deductions.

In relation to Bonds which are USPP Bonds, if withholding or deduction is required as described above on account of taxes imposed by a Tax Jurisdiction (as defined in Condition 10 of Chapter 8, "*Terms and Conditions of the Bonds*"), the Issuer or any other Obligor (as the case may be) shall (subject to certain specified exclusions and, in the case of unlisted USPP Bonds, such conditions as may be specified in the applicable Final Terms) pay such additional amounts as will result in receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required.

Status of the Bonds

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

Any Bonds (including those previously issued and any further issuance) will be backed by the same assets secured by way of the Security Documents, including payments the Issuer is due to receive from AWS under the Issuer/AWS Loan Agreement and where such payment has been hedged under a Hedging Agreement, under the relevant Hedging Agreement. Such obligations of the Issuer are guaranteed by the Guarantors and secured, pursuant to the Security Agreement in favour of the Security Trustee.

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**") entered into by the Obligors and the Bond Trustee in connection with the Programme.

The Class A Bonds in issue rank, and any further Class A Bonds issued under the Programme will rank, *pari passu* with respect to payments of interest and principal.

Further Bonds

The Issuer may only issue further Bonds if certain contractual restrictions on additional debt, including the terms and conditions of the Class B Deed Poll and the following financial covenants which protect against asset dilution are satisfied:

(i) if such further Financial Indebtedness is Class A Debt then the Senior RAR (adjusted on a pro forma basis to take into account the proposed incurrence of such further Financial Indebtedness) must be less than or equal to 0.90:1 for each Test Period calculated by reference to the then most recently occurring Calculation Date; and

(ii) if such further Financial Indebtedness is Class A Debt then (taking into account the incurrence of such debt) the Class A RAR must be less than or equal to 0.75:1, the Class A PMICR must be greater than or equal to 1.30:1 and the Conformed Class A PMICR must be greater than or equal to 1.30:1 for each Test Period calculated by reference to the then most recently occurring Calculation Date.

The RAR tests referred to above operate as a cap on the "loan to value" of the Anglian Water business thereby intending to protect bondholders from asset dilution.

Covenants

The representations, warranties, covenants (positive, negative and financial) and events of default which will apply to, *inter alia*, the Bonds are set out in a Common Terms Agreement dated 30 July 2002 as amended, supplemented or restated from time to time (the "**Common Terms Agreement**").

Guarantee and Security

The Bonds in issue are, and further Bonds issued under the Programme will be, unconditionally and irrevocably guaranteed and secured by each Obligor 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, right and undertaking of each Obligor (the "**Security**"), in the case of Anglian Water to the extent permitted by the WIA and Licence. Each such guarantee constitutes a direct, unconditional and secured obligation of each 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, subject to the terms of the STID (as defined below).

The securitised assets backing any issue have characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Bonds issued.

Intercreditor Arrangements

The Secured Creditors are, and will each be, party to a security trust and intercreditor deed as amended, supplemented or restated from time to time (the "**STID**"), which regulates, *inter alia*, (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 6.3, "*Financing Structure – Security Trust and Intercreditor Deed*".

Authorised Credit Facilities

Subject to certain conditions being met, the Issuer is permitted to incur indebtedness, including lease finance, under authorised credit facilities (each an "**Authorised Credit Facility**") with an Authorised Credit Provider, providing loan, hedging and other facilities. Each Authorised Credit Provider is, or will be, party to the CTA and the STID and may have voting rights thereunder. See Chapter 6, "*Financing Structure*".

Debt Service Reserve Liquidity Facilities

The Class A Debt Service Reserve Liquidity Facility Providers make available to the Issuer two 364-day credit facilities for the purpose of meeting certain shortfalls: (i) for the Issuer to meet (*inter alia*) its obligations to pay interest on the Bonds or (ii) to make payments under any Authorised Credit Facilities.

AG and AGUK, pursuant to the Liquidity Facility Guarantees, guarantee the amounts required to make full and complete payments to meet payment obligations in relation to the Class A Debt, in the event that there is a shortfall of amounts available for such payment obligations to be made.

	The Issuer is obliged, pursuant to the CTA, to ensure that the aggregate of the Debt Service Reserve Liquidity Facilities available for drawing when aggregated with all amounts standing to the credit of the Debt Service Reserve Accounts are not less than the amount of interest payable on its Class A Debt for the next succeeding 12-month period.
O&M Reserve Facilities	The O&M Reserve Facility Provider has made available to the Issuer a liquidity facility for the purpose of meeting operating and maintenance expenses.
Listing	The Bonds issued on the Initial Issue Date and all subsequent issues under the Programme (other than issues of USPP Bonds) up to the date of this Prospectus have been admitted to the Official List and admitted to trading on the Market and an application may be made to admit additional Bonds issued under the Programme to the Official List and to admit them to trading on the Market. The applicable Final Terms will state whether or not the relevant Bonds are to be listed and, if so, on which stock exchange.
Ratings	The ratings assigned to the Class A Bonds by the Rating Agencies reflect only the views of the Rating Agencies. The ratings will be specified in the applicable Final Terms. Credit ratings included or referred to in this Prospectus have been issued by the Rating Agencies. Each of Moody's and Fitch are established in the United Kingdom and are each registered under the UK CRA Regulation. As defined by Moody's, a Baa1 rating means that the obligations of the Obligors are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics. The modifier 1 indicates a ranking in the higher end of the 'Baa' generic rating category. As defined by Fitch, an A rating means that the obligations of the Obligors are expected to have a low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. The addition of the minus (-) sign indicates that the obligation ranks in the lower end of the 'A' rating category. A rating is not a recommendation to buy, sell or hold securities and will depend, amongst other things, on certain underlying characteristics of the business and financial condition of Anglian Water. A rating may be subject to suspension, change or withdrawal at any time by the assigning Rating Agency.
Governing Law	The Bonds in issue and any further Bonds issued under the Programme and any non-contractual obligations arising out of or in connection with the Bonds will be governed by, and construed in accordance with, English law.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in the United States, the EEA, the UK, Belgium, Japan, Australia, Canada, Singapore, Switzerland and the Netherlands and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Bonds. See Chapter 15, "*Subscription and Sale and Transfer and Selling Restrictions*".
United States Selling Restrictions	Regulation S (Category 2), Rule 144A, section 4(a)(2) of the Securities Act, Regulation D of the Securities Act, TEFRA C, TEFRA D or TEFRA not applicable, as specified (and

defined) in the applicable Final Terms. See Chapter 15, "*Subscription and Sale and Transfer and Selling Restrictions*".

CHAPTER 3
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In the management's discussion and analysis and related financial information set forth below, references to Anglian Water in respect of each of the years ended 31 March 2026 and 2025 are to Anglian Water and its subsidiary undertaking. The data presented is prepared on the basis of International Financial Reporting Standards ("**IFRS**") and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations, as adopted by the European Union. The financial statements of Anglian Water Services Holdings Limited and Anglian Water Services Financing Plc are presented in accordance with FRS101 and those of Anglian Water Services UK Parent Co Limited ("**AWS UK Parent Co**") are presented in accordance with FRS102.

The financial information set forth below has been extracted without material adjustment from, and, together with the management's discussion and analysis set forth below, should be read in conjunction with, the audited consolidated financial statements of Anglian Water for the years ended 31 March 2026 and 2025.

The financial statements of Anglian Water have been prepared in accordance with IFRS and IFRIC interpretations, as adopted by the European Union. Certain significant differences exist between IFRS and U.S. GAAP which might be material to the financial information herein. Anglian Water has made no attempt to identify or quantify the impact of those differences. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect the financial information herein. In making an investment decision, investors must rely upon their own examination of Anglian Water, the terms of the offering and the financial information.

In the financial information references are made to 'underlying' or 'adjusted' results, which exclude the impact of fair value gains/losses on derivative financial instruments. Such gains/losses are non-cash in nature and determined by movements in market expectations of long term interest, inflation and exchange rates over which the business has no control. The effect of excluding the aforementioned items is shown in the income statement on page 81 of this Prospectus. The underlying performance measures are considered to be alternative performance measures as defined by The European Securities and Markets Authority.

Income statement table

Year ended 31 March

	Year Ended 31 March 2026 £m	Year Ended 31 March 2025 £m
Revenue	**2,103.1**	**1,749.3**
Other operating income	11.5	16.8
Operating costs		
Operating costs before depreciation, amortisation and loss allowance for expected credit losses	(956.6)	(809.8)
Depreciation and amortisation	(467.5)	(423.5)
Loss allowance for expected credit losses	(54.2)	(36.3)
Total operating costs	(1,478.3)	(1,269.6)
Operating profit	**636.3**	**496.5**
Finance costs	(452.4)	(418.6)
Fair value (losses)/gains on derivative financial instruments	(96.2)	62.9
Finance income	37.0	48.2
Net finance costs	(511.6)	(307.5)
Profit before tax from continuing operations		
Gains /losses before fair value gains on derivative financial instruments	220.9	126.1
Fair value gain on derivative financial instruments	(96.2)	62.9
Profit before tax from continuing operations	**124.7**	**189.0**
Tax charge	(27.5)	(52.6)
Profit for the year from continuing operations	97.2	136.4

Balance Sheet Data

	31 March 2026	31 March 2025
		£m
Non-current assets		
Other intangible assets	494.9	317.3
Property, plant and equipment	12,766.8	12,114.2
Derivative financial instruments	111.1	168.3
Retirement benefit surpluses	118.3	115.9
	13,491.1	12,715.7
Current assets		
Inventories	23.8	20.9
Trade and other receivables	760.7	658.2
Investments - cash deposits	200.0	430.0
Cash and cash equivalents	552.9	589.0
Derivative financial instruments	15.7	0.9
	1,553.1	1,699.0
Total assets	**15,044.2**	**14,414.7**
Current liabilities		
Trade and other payables	(745.7)	(701.4)
Borrowings	(489.1)	(704.5)
Derivative financial instruments	(1.7)	(8.3)
Provisions	(4.4)	(4.4)
	(1,240.9)	(1,418.6)
Net current (liabilities) / assets	**312.2**	**226.4**
Non-current liabilities		
Borrowings	(8,556.9)	(8,035.6)
Derivative financial instruments	(833.2)	(781.6)
Deferred tax liabilities	(1,624.9)	(1,693.3)
Retirement benefit deficit	(25.2)	(26.6)
Amounts owed to group undertakings	(149.3)	(54.0)
Provisions	(21.2)	(3.2)
	(11,210.7)	(10,594.3)
Total liabilities	**(12,451.6)**	**(12,012.9)**
Net assets	**2,592.6**	**2,401.8**
Capital and reserves		
Share capital	32.0	32.0
Share premium	1,335.0	1,165.0
Retained earnings	1,181.1	1,162.1
Hedging reserve	48.6	46.0
Cost of hedging reserve	(4.1)	(3.3)
Total equity	**2,592.6**	**2,401.8**

Cash Flow Data

	Year Ended 31 March 2026	Year Ended 31 March 2025
	£m	£m
Cash flows from:		
Operating activities		
Operating profit	636.3	496.5
Adjustments for:		
Depreciation and amortisation	467.5	423.5
Assets adopted for £nil consideration	(39.1)	(34.0)
Profit on disposal of property, plant and equipment	(1.1)	-
Difference between pension charge and cash contributions	(1.5)	(27.3)
Net movement in provisions	8.6	(2.4)
Working capital:		
Decrease/(increase) in inventories	(2.9)	(3.0)
Increase in trade and other receivables	(96.6)	(39.6)
Increase in trade and other payables	42.8	(2.4)
Net cash flows from operating activities	**1,014.0**	**811.3**
Investing activities		
Purchase of property, plant and equipment	(920.3)	(960.1)
Purchase of intangible assets	(218.2)	(109.6)
Proceeds from disposal of property, plant and equipment	3.6	1.5
Interest received	31.8	46.1
Proceeds from maturity of deposits	695.0	1,150.0
Investment in deposits	(465.0)	(1,050.0)
Net cash flows used in investing activities	**(873.1)**	**(922.1)**
Financing activities		
Interest paid	(332.4)	(235.8)
Debt issue costs paid	(11.8)	(25.6)
Interest paid on leases	(0.9)	(1.0)
Proceeds from amounts borrowed	920.0	950.0
Repayment of amounts borrowed	(744.9)	(349.3)
Repayment of principal on derivatives	(100.7)	(85.0)
Receipt of principal on derivatives	4.7	67.1
Repayment of principal on leases	(6.0)	(6.4)
Dividends paid	(75.0)	(88.6)
Proceeds from issue of ordinary shares	**170.0**	
Net cash (used in) /from financing activities	**(177.0)**	**225.4**
Net (decrease)/increase in cash and cash equivalents	**(36.1)**	**114.6**
Cash and cash equivalents as at 1 April	589.0	474.4

Cash and cash equivalents at 31 March	**552.9**	**589.0**

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Anglian Water conducts the UK regulated water and water recycling activities of the Anglian Water Group. Its principal activities comprise the abstraction, storage, treatment and distribution of water to residential customers and retailers serving commercial and industrial customers, and the collection, treatment and recycling of wastewater, trade effluent and sludge.

As at the date of this Prospectus, Anglian Water served the largest geographic area of any regional water and water recycling company in England and Wales, providing services to approximately 7 million people across the East of England and Hartlepool. It supplies approximately 1.1 billion litres of drinking water each day to 5.1 million people from reservoirs, aquifers and rivers, and receives approximately 900 million litres of used water each day from 6.7 million people and businesses, including customers whose water is supplied by other companies.

Used water is treated and returned to the environment through rivers or coastal outlets, while organic waste is treated, dewatered and used in agriculture as a natural fertiliser.

Factors Affecting Financial Condition and Results of Operations

Regulation

Anglian Water operates within a highly regulated industry in England and Wales and its operations are strongly influenced by government regulations relating to the economy, drinking water quality and the environment. Anglian Water is licensed to operate as a Regulated Company in England and Wales. In particular, Anglian Water's business and results are affected by the regulated controls on the revenues which Anglian Water may collect from its customers as approved by the economic regulator as well as by drinking water quality and environmental regulations and the terms of its Licence. Every five years, the economic regulator has set revenue controls intended to enable water and water recycling companies in England and Wales to finance their operations and earn a reasonable return on capital. The economic regulator is the Water Services Regulation Authority ("**WSRA**") (referred to below as "Ofwat" as per its public statement to this effect) whose duties are set out in law. See "*Risk Factors*", Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*" and Chapter 12, "*Licence Conditions – Anglian Water's Control over its Operations*".

On 19 December 2024, Ofwat published its Final Determination of the annual price controls chargeable by Anglian Water for the AMP8 period (2025-30), which was re-determined by the CMA on 10 March 2026. For wholesale services excluding bioresources, the controls (expressed as 'K factors') limit the extent to which Anglian Water's total revenue can rise (in addition to the annual rate of inflation, as measured by the Consumer Price Index including owner occupiers' housing costs (CPIH)) by comparison to the revenue allowance for the prior year. For water Network Plus revenues, the controls for Anglian Water's K factors for each of 2025/26, 2026/27, 2027/28, 2028/29 and 2029/30 are 18.01 per cent., 2.07 per cent., 9.12 per cent., 6.20 per cent. and 6.03 per cent., respectively.[2] For water resources revenues, Anglian Water's K factors for each of 2025/26, 2026/27, 2027/28, 2028/29 and 2029/30 are 60.79 per cent., 24.02 per cent., -5.19 per cent., 6.57 per cent. and

[2] K-factors sourced from: https://www.ofwat.gov.uk/wp-content/uploads/2026/04/PR24-FD-Financial-model-Anglian-Water-CMA-clean.xlsx, which does not form part of this Prospectus.

6.38 per cent., respectively. For water recycling Network Plus revenues, Anglian Water's K factors for each of 2025/26, 2026/27, 2027/28, 2028/29 and 2029/30 are 3.12 per cent., 5.89 per cent., 6.80 per cent., 6.60 per cent. and 6.42 per cent., respectively.

In respect of revenues allowed for bioresources, Ofwat allowed total revenues for each of 2025/26, 2026/27, 2027/28, 2028/29 and 2029/30 at £103.06 million, £106.67 million, £111.14 million, £118.67 million and £126.70 million (in 2022/23 prices). These revenues are calculated on the basis of the amount of sludge the company forecasts to produce and can be modified to the extent that actual sludge production during the relevant years varies from these forecasts. Like the other wholesale controls, these revenues are subject to CPIH-indexation.

In respect of revenues allowed for the provision of household retail services, Ofwat allowed total revenues for each of 2025/26, 2026/27, 2027/28, 2028/29 and 2029/30 at £123.26 million, £126.55 million, £126.87 million, £128.65 million and £130.48 million respectively. These revenues are calculated on the basis of forecast customer numbers and can be modified to the extent that actual customer numbers during the relevant years vary from these forecasts. These revenues are not subject to indexation.

For additional information on the price control mechanism, including provisions for adjustments, re-determinations and on regulation of the water and water recycling industry generally, see "*Risk Factors - Risks relating to the Issuer - Failure to meet costs allowed under price controls*", see Chapter 4, "*Anglian Water Business Description*" and Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*".

Legislative changes in the areas in which Anglian Water operates may have an impact on its business and operations. For information on the impact of Directives on Anglian Water see Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*". In all cases Anglian Water is working closely with the key regulatory bodies to ensure that all investments in this area are cost beneficial to Anglian Water and its customers and are achieved in a sustainable way. Anglian Water also maintains close relationships with its regulators to ensure that changes to regulation are made in full knowledge of the impact they may have on Anglian Water and its stakeholders.

Metering

As at 2025/26, approximately 1.87 million households, representing 89.0 per cent. of households in Anglian Water's water supply and water recycling license areas, paid measured charges based on actual water usage.

Metered customers typically use less water than unmetered customers, while the associated operating costs, including meter reading, billing and customer service, are generally higher. Assumptions regarding customer numbers and consumption are reflected in the regulatory price controls and annual charges. Any under or over recovery of revenue against the revenue controls set by Ofwat is adjusted on a Year *t+2* basis. See Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*".

Anglian Water has a relatively high proportion of metered customers and a long track record of forecasting metered consumption and customer behaviour.

Economic and Demographic Trends

The underlying trend is for the population of Anglian Water's water supply and water recycling licence areas to grow steadily. The population has grown by 30 per cent. since privatisation and may

grow by another million people by 2040. Steady growth in the population and new housing construction (which requires connection to the water and water recycling networks) have been factored into Anglian Water's turnover forecasts. However, significant changes in macro-economic indicators, such as inflation and employment, and government policy on migration could affect levels of new housing construction, reduce the population of the region as well as individual consumption and adversely affect Anglian Water's business. However, the form of the price controls provides significant protection against these risks.

Climate Change

Climate change is driving more frequent extreme weather events and changing weather patterns, which affect Anglian Water's assets and operations. To maintain customer service and financial resilience, Anglian Water assesses climate risks across its assets and infrastructure and incorporates the required adaptation investment into its business plans. In addition to investing in adaptation measures, Anglian Water undertakes research and innovation activities to address knowledge gaps and develop resilience solutions. Climate change adaptation activity is overseen by a strategic steering group chaired by the Director of Quality, Environment and Assurance.

Under the Climate Change Act 2008, Anglian Water reports on the current and projected impacts of climate change, its adaptation plans and progress against them. The latest Climate Change Adaptation Report was published in December 2024. Anglian Water also publishes climate-related disclosures in its annual integrated reports and Carbon Disclosure Project (CDP) submission.

Anglian Water's actions to reduce greenhouse gas emissions form part of wider international efforts to limit the impacts of climate change and support the goals of the Paris Agreement. In 2010, Anglian Water became the first water company in England to set targets for reducing both operational and capital carbon emissions. In 2019, the water companies of England committed to achieving net zero operational carbon by 2030, followed by the publication of a sector routemap in 2020. Anglian Water published its own Net Zero Routemap in 2021, setting out actions to reduce both operational and capital carbon emissions. Our Climate Transition Plan (2025) provides an update on progress to date, including the achievement of a 66 per cent. reduction in capital carbon against its 2010 baseline by 2025, and outlines the pathways being pursued to further reduce emissions across its operations and supply chain.

Anglian Water remains committed to decarbonising its business and is currently reviewing its carbon reduction pathways and targets in light of developments in the UK Government's net zero policy, advances in the quantification of greenhouse gas emissions, including nitrous oxide emissions, and funding and delivery considerations. This review is intended to clarify what can be achieved by 2030 under current plans and what actions may need to continue beyond that date, while balancing government expectations, investment requirements and affordability for customers. Anglian Water's ambition is to build resilience to a changing climate, enable the region it serves to adapt and continue to play a leading role in carbon reduction across the UK water sector.

Purpose and Sustainability

Anglian Water recognises that its position as a supplier of an essential public service presents an opportunity and a responsibility to do more for the regions and communities it serves. Anglian Water considers it essential to run its business in a responsible and transparent way, which forms an aspect of its Purpose. Anglian Water appreciates the import of its capacity to (among other things) (i) deliver safe, clean water; (ii) recycle water; and (iii) protect, enhance and enrich the environment and the communities.

Anglian Water is committed to:

- acting in the public interest, and recognises its wider role in the communities it serves, beyond providing fresh clean drinking water and protecting the natural environment it operates in;
- ensuring that the bills it issues to customers are fair, affordable and representative of value for money, and also demonstrating that Anglian Water responsibly handles money received from its customers; and
- ensuring its profits are fair, not excessive and that its fair share of tax is paid.

Further information on Anglian Water's activities is available in its 2026 Annual Integrated Report at https://www.anglianwater.co.uk/siteassets/household/corporate/plans-and-reports/2026-reports/annual-integrated-report-2026_strategic-report.pdf and in its latest Sustainable Finance Impact Report available at 6a7050b96603b394b4f759a9_Sustainable Finance Impact Report 2026 final.pdf (which does not form part of this Prospectus).

Externally validating Purpose-related and ESG-related Work

In 2019, when Anglian Water enshrined public interest in its Purpose and into its Articles of Association, affecting the requirements that its Directors must follow when conducting its business, Anglian Water committed to assessing its activities against a Statement of Responsible Business Principles (SRBP). In 2026, the SRBP took the form of BSI PAS 808.

In 2022, Anglian partnered with the British Standards Institution ("**BSI**") to prompt the development of new Publicly Available Specification ("**PAS**"), for embedding purpose in organisations, including PAS 808 – Purpose-Driven Organizations for Delivering Sustainability ("**PAS808**"), which received sponsorship from the UK Government.

In 2023, Anglian Water was the first company to be assessed against PAS 808 by BSI, which explored the extent to which the worldviews, principles and behaviours on purpose are embedded in the organisation. In 2026 the organisation had its third British Standards Institution (BSI) assessment visit where it was examined against PAS 808 on the extent to which it is maintaining its purpose-driven focus. The assessment identified small changes to its initial assessment score in 2023 with continued evidence of Anglian Water's ongoing commitment to purpose.

Through structured interviews with leadership and management and across a broad range of operational processes and functions, the assessment explored how Anglian Water is responding and adapting to both internal and external drivers of change – including organisational transformation initiatives, shifting customer and stakeholder expectations, regulatory pressures, and evolving societal needs – and whether these responses remain aligned with, and guided by, the organisation's purpose. Peter Hickmott, of BSI, concluded that "based on the evidence gathered through structured interviews, supported by the review of documented discussion summaries and identified improvement opportunities, the assessment concludes that Anglian Water continues to demonstrate a strong and maturing alignment with the principles of PAS808: Purpose-Driven Organisations."

Purpose Impact Assessment

Anglian Water has been exploring new ways to be transparent in how it reports its absolute impact on delivering environmental and social prosperity for its region. The result is the creation of a Purpose Impact Assessment to help Anglian Water understand and share its view of the positive and negative impacts it is having. The tool captures 30 of its most material impacts, drawing on over 60 sub-measures from many sources — including data it captures for regulatory reporting, such as the

Environmental Performance Assessment and data that is verified by third parties. As this data contains differing units of measurement (e.g., kilometres of rivers to tonnes of carbon), Anglian Water has applied a monetised valuation, to provide a common language for comparison. This also helps to measure impact in absolute terms. The valuations are in line with those Anglian Water has used in the preparation of its AMP8 plans, in accordance with Ofwat's quality standards for customer research. Anglian Water's second Purpose Impact Assessment can be found in its 2026 Annual Integrated Report.

Third-party challenge

In the formulation of Anglian Water's first Purpose Impact Assessment it consulted the views of its Independent Challenge Group and Customer Board to develop its Purpose Impact Assessment and discussed its proposal with Defra.

Purpose and Plan Alignment

Anglian Water's purpose is to bring environmental and social prosperity to the region it serves through its Love Every Drop approach, which deeply embeds sustainability throughout its operations. The region that Anglian Water serves is home to 15 per cent. of England's population, with rapidly growing water needs. The region receives the lowest rainfall in England, making it susceptible to drought. Additionally, with 28 per cent. of the land in the region being below sea level, the region is also susceptible to flooding. Climate change has the potential to exacerbate these risks. Three quarters of the land in the region that Anglian Water serves is used for agriculture. The region is also home to environmentally significant landscapes, such as the chalk streams and the coastline. Anglian Water recognises that the way in which the land is managed with respect to agriculture and the natural environment can strongly impact its condition with respect to water. Alongside its role of providing safe, clean drinking water and effective water recycling services, Anglian Water aims to protect, restore and enhance the environment and ensure that economy of the region served is able to thrive. Anglian Water has known about these environmental concerns for many years, and in order to deliver on its purpose and play a key role in mitigating and adapting to these environmental concerns, it focuses on long-term approaches to planning investments in water and water recycling services for its region. Anglian Water's long-term strategy has been driven by our 25-year Strategic Direction Statement (SDS). Since the SDS was first published in 2007 it has been refreshed, with Board support, in both 2017 and 2023 covering the period to 2050.

During the financial year, the Board continued to develop and refine the Company's long-term strategy, leading to the creation of the Enterprise Strategy, which sets out Anglian Water's long-term direction through to 2055.

Impact of Inflation

Inflation rates affect the company's RCV, which in turn affects the debt covenant headroom. Inflation impacts Anglian Water's operating cost base and capital expenditure, however those impacts largely correlate with Anglian Water's ability to pass inflationary changes on to customers via the regulatory pricing mechanism.

Energy

Anglian Water is one of the largest users of electricity in the east of England, due to the power required to treat water and water recycling and pump it around such a geographically flat region. Energy typically represents around 11 to 14 per cent of Anglian Water's total operating costs.

Revenue and Expenses

The principal sources of Anglian Water's turnover and expenses are as follows:

Revenue

Anglian Water earns revenue for delivering treated water supplies to residential customers and non-household retailers, and for removing and treating waste water and other effluvia through its water recycling network. Revenue is accounted for using standard accounting practices under IFRS. Revenue generally represents the income receivable (excluding value added tax ("VAT")) in the ordinary course of business for services provided.

Income receivable is based on actual billing for the Financial Year to the end of the accounting period, with an accrual or adjustment made at the end of that period where necessary. For example, in the case of income from metered users, an accrual is recognised for income due but not yet billed, based on average customer consumption data. This accrual is subsequently reconciled to actual billing, which takes place over the subsequent 12 months. See Anglian Water's 2026 Annual Integrated Report.

In the case of unmetered income, which is billed in advance (principally at the start of the Financial Year), an adjustment is made at the end of each accounting period to take account of income billed in advance for the subsequent accounting period. Income from water recycling services and other income (such as charges for connecting customers to Anglian Water's water network) follows these general principles.

Operating Costs

Historically, the principal component of Anglian Water's operating costs is staff costs, which consist of wages and salaries, social security expenses and pension costs. Other operating costs principally consist of power, business and water rates, hired and contracted services, abstraction charges, bad debt, equipment, tools and materials.

Depreciation

For purposes of its statutory accounts (which Anglian Water is required to prepare in compliance with IFRS (the "**Statutory Accounts**")), Anglian Water depreciates its assets in a manner that the Directors believe is consistent with that of other regulated water supply and water recycling companies in England and Wales. Depreciable assets are classified as either infrastructure assets (mains, sewers, reservoirs, dams, sludge pipelines and sea outfalls) and other assets (land and non-operational buildings, operational assets and vehicles, and plant and equipment). Freehold land is not depreciated, nor are assets in the course of construction until commissioned. Depreciation of other assets is calculated at rates expected to write off the cost less the estimated residual value of the relevant assets on a straight-line basis over their estimated useful lives, which are primarily as follows:

Non-operational buildings	15–80 years
Infrastructure assets – water	50–120 years
Infrastructure assets – water recycling	50–160 years
Operational assets	30–80 years
Fixed plant	12–40 years
Vehicles and plant and equipment	3–10 years

Items of property, plant and equipment that have no further operational use are treated as having decommissioned and are written off immediately to profit or loss. In addition, property, plant

and equipment is assessed for impairment, in accordance with IAS 36 'Impairment of Assets', if events or changes in circumstances indicate that the carrying value may not be recoverable.

For additional information, see Anglian Water's 2025 Annual Integrated Report – Notes to the Financial Statements – Note 1(l).

Consolidation

Anglian Water is required to produce consolidated financial statements pursuant to the Common Terms Agreement as amended, supplemented or restated from time to time ("**CTA**"). Accordingly, the financial statements of Anglian Water for the years ended 31 March 2026 and 31 March 2025 have been prepared on a consolidated basis.

Regulatory Information

In addition to producing its Statutory Accounts, as a condition of its Licence, Anglian Water, like all other Regulated Companies in England and Wales, is required to submit regulatory accounts (now referred to as the annual performance report, including the 2026 Annual Performance Report and the 2025 Annual Performance Report) to Ofwat in July of each year (the "**Regulatory Information**") which comply with accounting conventions established by Ofwat and IFRS. The Regulatory Information is to a certain extent used by Ofwat in establishing the regulatory price controls for Anglian Water. Although Anglian Water's Regulatory Information is published in its 2026 Annual Performance Report, potential investors should be aware that significant differences exist between the Regulatory Information and the Statutory Accounts.

The principal difference between Anglian Water's Statutory Accounts, which are prepared in accordance with IFRS, and its Regulatory Information, is in respect of capitalised interest. IFRS requires companies to capitalise interest that relates to the funding of capital expenditure. For Regulatory Information, capitalising interest is not permitted. Differences between the Regulatory Information and the Statutory Accounts also arise because the Regulatory Information relates to the appointed business only of Anglian Water, and slightly different balance sheet classification rules apply. As a result, Anglian Water's recorded total tangible and intangible fixed assets at 31 March 2026 are £12,643.3 million in its Regulatory Information and £13,261.7 million in its Statutory Accounts. There is also a corresponding adjustment to depreciation and deferred tax. Ofwat also require companies to classify grants and contributions income as 'other income' rather than revenue. Furthermore, Anglian Water's Regulatory Information includes certain additional disclosures required by Ofwat. For additional information on the Regulatory Information, see Anglian Water's 2026 Annual Performance Report.

Results of Operations (in accordance with the IFRS annual report and accounts for year ended 31 March 2026)

Year ended 31 March 2026 compared to year ended 31 March 2025

Revenue (excluding grants and contributions)

Revenue, excluding grants and contributions, for the year was £1,982.0 million (2025: £1,660.1 million), or an increase of £321.9 million (19.4%). The net increase in revenue is as a result of the following factors:

- The price increase for customers following the regulatory pricing formula, resulting in a £309.3 million increase. This is reflected in an average increase of 18.4% in dual-service bills.
- A net increase in demand of £20.7 million. Household consumption is up £17.6 million and nonhousehold up £3.1 million, when compared with the prior year due to the hot-dry summer of 2025.
- Other movements in revenue of £8.1 million.

Grants and contributions

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for work on existing infrastructure needed to accommodate development. Increased new property development activity, to which grants and contributions revenue is directly linked, has resulted in revenue rising by £31.9 million to £121.1 million in 2025/26.

Other operating income

Other operating income comprises primarily external income from power generation, bio-solid sales to farms, rents received and various other non-core activities, this was consistent with prior years.

Operating costs (including loss allowance for expected credit losses)

Anglian Water Services operating costs including charges for bad and doubtful debt increased by £164.7 million (19.5%) to £1,010.8 million.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is defined in note 27 of 2026 Annual Integrated Report and is the profit from continuing operations before interest, tax, depreciation and amortisation. In the year to 31 March 2026, this has increased by 20.0% to £1,103.8 million, which is consistent with the effect of the increases described above.

Depreciation and amortisation

In the year to 31 March 2026, depreciation and amortisation is up 10.4% to £467.5 million, primarily as a result of higher fixed asset balances as Anglian Water constructs and commissions assets in line with its capital investment programme.

Operating profit

In the year to 31 March 2026, operating profit has increased by 28.2% to £636.3 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation.

Financing costs and profit before tax

In the year to 31 March 2026, adjusted net finance costs (excluding fair value gains on financial instruments) were £45.0 million higher than the prior year at £415.4 million. This is primarily a result

of the non-cash impact of lower inflation on index-linked debt which increased by £34.3 million to £231.4 million, combined with lower interest-income.

Fair value gains in the period, which are unrealised, non-cash items, are the result of decreases in derivative liability positions, primarily driven by forecast decreases in inflation rates and forecast increases in interest rates. Fair valuation movements on derivative valuations can be volatile depending on the market rates forecast at the time of reporting and do not have a crystallised economic impact to the business until the time of actual cash flow fixing.

The business is funded based on its embedded cost of debt and relative performance against the iBoxx index. As a result, these non-cash fair value gains and losses did not impact the immediate commercial performance of the business, Ofwat obligations or shareholder distributions during AMP7.

Distributions to the Parent Company

A £75.0 million dividend was paid in the period in relation to performance in 2024/25 although none made to the ultimate shareholders.

The Directors have proposed a final dividend calculated with reference to performance for the 2025/26 financial year of £90.0 million, which was paid in June 2026. The maximum available dividend was adjusted to reflect service delivery for customers and the environment. There are no plans for this dividend to be paid to the ultimate shareholders of Anglian Water Group Limited.

These dividends were paid and proposed against a backdrop of a £170 million equity injection into the company on 26 March 2026 and a £500 million committed equity injection from our ultimate shareholders into the wider Group. Through these capital injections the company continues to benefit from the strong support of shareholders.

The Board has an approved dividend policy, under which dividend payments take account of a range of matters including free cash flow, service delivery for customers and the environment, current and future investment needs and financial resilience over the longer term.

Financial needs and resources

As at 31 March 2026, Anglian Water had borrowings net of cash of £8,293.1 million (excluding the fair value of derivative financial instruments), an increase of £572.0 million from 31 March 2025. The increase in net borrowings primarily reflects accretion on index-linked debt, capital expenditure and interest payments.

In the year to 31 March 2026, there were new issuances of £420 million 5.375% fixed rate 2033, £300 million 6.25% fixed rate 2041 and £200 million bond tap on 5.875% fixed rate 2031. The funds were partially used to repay £250 million 1.625% fixed rate 2025, £200 million 4.50% fixed rate 2026, £200 million 6.625% fixed rate 2029 and £94.9 million amortising debt repayments.

Liquidity

Anglian Water group’s objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. Daily cash management is undertaken to calculate cash position and dealing requirements, and weekly and monthly cash forecasts are prepared to demonstrate short/medium-term liquidity, covenant compliance and to inform investment strategy. Regular meetings are held with cash forecasters, to understand cash variances and challenge latest forecasts. Consolidated cash forecasts are presented to the Finance, Treasury and Energy Policy Group on a regular basis. The business generates operating cash flows to

finance the day-to-day operations of the Anglian Water group, liquidity risk therefore relates to the ability to attract debt and equity investment to fund the enhancement programme set out in Business Plan and refinance existing debt. Both the allowed return on investment and the recovery of RCV included within revenues give management comfort as to the long-term viability of the Anglian Water group. The group has undrawn borrowing facilities of £1,540.0 million (2025: £1,382.5 million).

Interest rates

The company's policy, as agreed by the Board, is to achieve a balanced mix of funding to inflation linked, fixed and floating rates of interest. At 31 March 2026, taking into account interest rate swaps, 65.1% (March 2025: 55.8%) of the company's borrowings were at rates indexed to inflation, 23.3% (March 2025: 31.9%) were at fixed rates and 11.6% (March 2025: 12.3%) were at floating rates. At 31 March 2026, the proportion of inflation debt to regulated capital value was 49.4% (March 2025: 44.8%).

Pension funding

At 31 March 2026, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £93.1 million, compared to £89.3 million at 31 March 2025. This increase in surplus reflects a decrease in the scheme's liabilities resulting from an increase in the corporate bond rate used to discount those liabilities on an accounting basis compared to a greater decrease in Anglian Water group's assets which are hedging gilt-based liabilities.

CHAPTER 4
ANGLIAN WATER BUSINESS DESCRIPTION

The Anglian Water Group

Anglian Water Group Limited ("**AWGL**") is the ultimate Holding Company for the Anglian Water Group, the principal business of which is Anglian Water, the Group's regulated water and water recycling company. AWGL was incorporated on 14 September 2006 as Osprey Jersey Holdco Limited and changed its name on 19 April 2007. AWGL's wholly-owned subsidiary, Osprey Acquisitions Limited, acquired AWG plc (now known as AWG Parent Co Limited) and its subsidiaries, including Anglian Water, on 23 November 2006.

AWGL is owned by a consortium of investors comprising:

- CPP Investment Board Private Holdings (6) Inc ("**CPPIB**");
- Ford Water Holdco (UK) Limited (**"Ford**");
- Global InfraCo (HK) E. Limited;
- Camulodunum Investments Ltd; and
- Platinum Globe A 2013 RSC Limited,

(the "**Consortium**").

CPPIB is an indirect wholly-owned subsidiary of the Canada Pension Plan Investment Board (32.9 per cent. ownership of AWGL), which is managed independently of the Canada Pension Plan by experienced investment professionals to help sustain the future pensions of over 22 million contributors and beneficiaries.

Ford is an indirect wholly-owned subsidiary of Ontario Teachers' Pension Plan (**"OTPP"**). OTPP administer a defined benefit pension plan that provides lifetime pensions to teachers across Ontario (15.6 per cent. Ownership of AWGL).

Global InfraCo (HK) E. Limited (19.8 per cent. ownership of AWGL) is an indirect, wholly-owned subsidiary of the IFM Global Infrastructure Fund, a fund advised by IFM Investors. IFM Investors is a global institutional fund manager owned by 17 profit-to-member Australian pension funds, specialising in infrastructure, private equity, debt, and equity investments.

Camulodunum Investments Ltd (15.0 per cent. ownership of AWGL) is a joint investment vehicle for Dalmore Capital Limited ("**Dalmore**") and GLIL Infrastructure LLP. Dalmore is an independent fund manager, founded in 2009 by three partners. Dalmore has a focus on lower volatility infrastructure assets, particularly in the UK, and sources capital from UK and overseas institutional investors. Dalmore has more than 1.3m pension holders invested directly in AWGL. Dalmore has interests in over 130 infrastructure assets and has assets under management of over £5.7bn. GLIL Infrastructure LLP targets core infrastructure projects, mainly in the UK, and is run by the pension funds of Greater Manchester, Merseyside, West Yorkshire – collectively known as the Northern LGPS – and Local Pensions Partnership Investments Ltd (LPPI), which manages the assets of Berkshire, Lancashire, and London Pensions Fund Authority. Nest, the UK Government-backed auto-enrolment provider, is an investor in the fund. GLIL invests on behalf of pension funds and pools including Local Pensions Partnership Investments, Greater Manchester Pension Fund, Merseyside Pension Fund, West Yorkshire Pension Fund and Nest, the government-established DC workplace

pension provider. GLIL manages £4.1 billion of committed capital, with more than £3.3 billion (as of 31 December 2025) deployed into a growing portfolio of infrastructure assets spanning renewable energy, utilities, ports, logistics, trains, hospitals and schools.

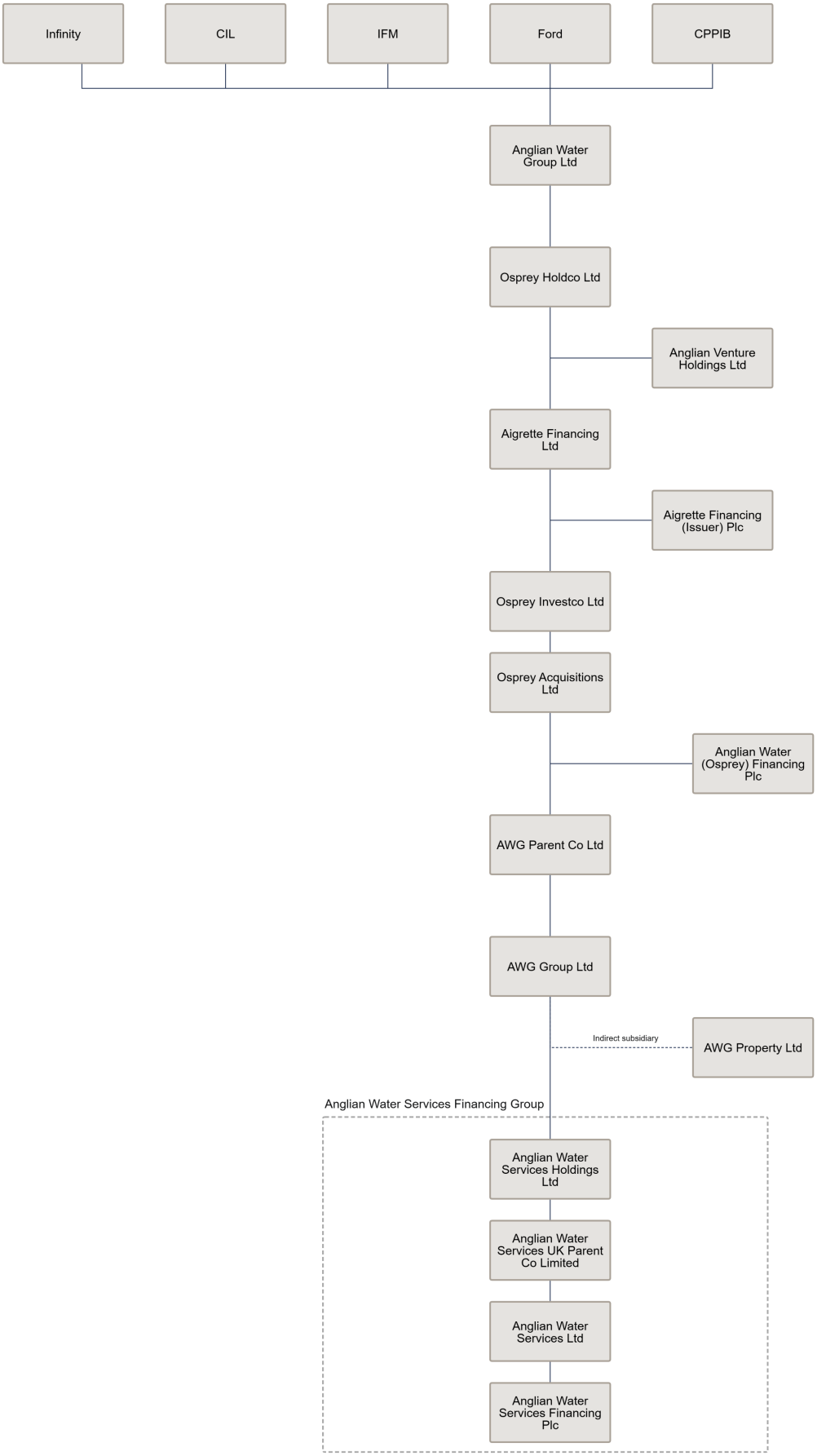
Platinum Globe A 2013 RSC Limited (16.7 per cent. ownership of AWGL) is directly and entirely held by the Abu Dhabi Investment Authority, a public institution established by the Government of the Emirate of Abu Dhabi as an independent investment institution.

The investors have affirmed that they are committed and responsible owners who have strong reputational and ethical standards. The investors have also affirmed their support for the management and strategy of Anglian Water and to maintaining the solid investment grade rating for Anglian Water. See Chapter 5, "*Ring-fencing and the Anglian Water Services Financing Group*".

The principal activities of AWGL and its subsidiaries are water supply and distribution and water recycling collection and treatment. In the year ended 31 March 2026, on a consolidated basis, AWGL and its subsidiaries had total assets less current liabilities of £14,908.1 million, recorded revenue from continuing operations of £2,167.2 million and employed 6,404 people in continuing operations.

In 2002, AWG Parent Co Limited (then AWG plc) established a "ring-fenced" financing group to separate (so far as practicable) Anglian Water financially and operationally from the rest of the group. See Chapter 5, "*Ring-fencing and the Anglian Water Services Financing Group*".

Set out below is the structure of AWGL, its major subsidiaries, and its relationship to the respective members of the Consortium, as of the date hereof:


Infinity
CIL
IFM
Ford
CPPIB
Anglian Water Group Ltd
Osprey Holdco Ltd
Anglian Venture Holdings Ltd
Aigrette Financing Ltd
Aigrette Financing (Issuer) Plc
Osprey Investco Ltd
Osprey Acquisitions Ltd
Anglian Water (Osprey) Financing Plc
AWG Parent Co Ltd
AWG Group Ltd
Indirect subsidiary
AWG Property Ltd
Anglian Water Services Financing Group
Anglian Water Services Holdings Ltd
Anglian Water Services UK Parent Co Limited
Anglian Water Services Ltd
Anglian Water Services Financing Plc

Updated Key

CPPIB	CPP Investment Board Private Holdings (6) Inc. (an indirect wholly-owned subsidiary of the Canada Pension Plan Investment Board)
Ford	Ford Water Holdco (UK) Limited (an indirect wholly-owned subsidiary of Ontario Teachers' Pension Plan)
IFM	Global InfraCo (HK) E. Limited (an indirect, wholly-owned subsidiary of Conyers Trust Company (Cayman) Limited in its capacity as trustee of IFM Global Infrastructure Fund)
CIL	Camulodunum Investments Ltd
Platinum Globe	Platinum Globe A 2013 RSC Limited (a wholly owned subsidiary of Abu Dhabi Investment Authority)

Anglian Water

Overview

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

Anglian Water serves the largest geographic area of the regional water and water recycling companies in England and Wales, covering an area that stretches from the Humber bank in the North to the Thames estuary in the South, and from Daventry in Northamptonshire to the East Coast. It also includes the town of Hartlepool in the Northeast of England. Anglian Water provides water services to approximately 5.1 million people in an area covering approximately 22,700 square kilometres and water recycling services to approximately 6.6 million people in an area covering approximately 27,500 square kilometres. At 31 March 2026 Anglian Water was the fourth largest of the 11 regulated water supply and water recycling companies in England and Wales in terms of its regulatory capital value. In addition, on the basis of regulatory accounts which Anglian Water files with Ofwat (the "**Regulatory Information**"), for the year ended 31 March 2026, Anglian Water's appointed water and water recycling activities generated turnover of £1,982.0 million and its cash generated from operations was £1,014.0 million. See Anglian Water's 2026 Annual Performance Report.

The region in which Anglian Water operates is mainly rural and agricultural but also includes several urban centres such as Northampton, Peterborough, Norwich, Lincoln, Milton Keynes, Ipswich, Hartlepool (water only) and Grimsby. Because of the historical development of water supply and water recycling services in Anglian Water's region, there are a number of areas (mostly in the south), such as Cambridge, Chelmsford and Basildon where Anglian Water provides water recycling services only and local water companies provide water services. Anglian Water also holds seven NAVs ("**New Appointments and Variations**") to operate water services in areas outside its principal water supply licence area and two NAVs to operate water recycling services in areas outside its principal water recycling licensed area. With the consent of Ofwat, other water and sewerage undertakers can replace Anglian Water as the water and/or water recycling provider at specified locations within the Anglian

Water region, normally on new housing developments. Over 350 such NAVs have been granted to these alternative undertakers. For more information relating to NAVs, water supply licensing and market reform, see Chapter 11.9, "Regulation of the Water and Water Recycling Industry in England and Wales — Competition in the Water Industry". Within Anglian Water's water supply and water recycling licence areas, there are a number of significant industrial customers in the petroleum, electricity and food processing sectors. The region in East Anglia where Anglian Water principally operates has had population growth of approximately 1.0 per cent. per year since 2000. Anglian Water's water supply and water recycling licence areas within East Anglia are part of the driest regions in the UK. Consequently, Anglian Water has invested considerable resources in developing reservoirs and supply management technology to deal with more limited water supplies.

History

Anglian Water is a limited company registered under the Companies Act under number 2366656 and is an indirect subsidiary of AWGL. Anglian Water was appointed by an Instrument of Appointment dated 24 August 1989 (with effect from 1 September 1989) by the then Secretary of State for the Environment, as a Regulated Company under the provisions of sections 11 and 14 of the Water Act 1989 (now replaced by sections 6 and 11 of the WIA) for a wide area of Eastern England and the Midlands. Before 1 September 1989, the former Anglian Water Authority provided water and water recycling services in those areas. In 1997, AWG Group Ltd acquired Hartlepool Water plc. On 1 April 2000, the appointment of Hartlepool Water plc as a water undertaker was merged with that of Anglian Water.

Regulation and Licence

Anglian Water operates within a highly regulated industry in England and Wales and its operations are strongly influenced by economic, drinking water quality and environmental regulation. Anglian Water is licensed to operate as a Regulated Company in England and Wales. In particular, Anglian Water's business and results are affected by the regulated controls on revenues which Anglian Water may collect from its customers as approved by the economic regulator as well as by drinking water quality and environmental regulations and the terms of its Licence. Every five years, the economic regulator has set revenue controls intended to enable water and water recycling companies in England and Wales to finance their operations and earn a reasonable return on capital.

See "*Risk Factors – Risks relating to the Issuer – Failure to meet costs allowed under price controls*", "*Risk Factors – Factors Affecting Financial Condition and Results of Operations – Regulation*", Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*" and Chapter 12, "*Licence Conditions – Anglian Water's Control over its Operations*".

Each year, in addition to Regulatory Information, Anglian Water's Board is required to submit a ring-fencing certificate to Ofwat confirming, among other things, the availability of sufficient financial resources and facilities, management resources and systems of planning and internal controls to enable it to carry out its functions as a regulated Company for at least the next twelve months.

Set out below is a map of Anglian Water's water supply and water recycling licence areas. The water supply licence area now includes the town of Hartlepool and seven NAVs: (i) at 2 Sisters Premier Division (formerly Buxted Chicken) in Flixton, Suffolk; (ii)-(iv) at Wynyard Park near Wolviston in Cleveland; (v) at Woods Meadow, Oulton in Suffolk; (vi) at Northstowe phase 1 in Cambridgeshire, and (vii) at Brooklands Boundary. The water recycling licence area now includes two NAVs at RAF Finningley in South Yorkshire and Brooklands Boundary. More than 350 sites

have been excluded from the licence area where other companies have been granted NAV appointments to provide water and/or sewerage (water recycling) services instead of Anglian Water.



Strategy

In 2026, Anglian Water refreshed its strategy, with five renewed strategic priorities:

- A high performing organisation that attracts investment and creates lasting value
- Embedded in its communities and valued by its customers
- Enabling sustainable growth and resilience in an environmentally significant region
- Its people and partners are proud to deliver excellence and be Safer Every Day
- Trusted by government and regulators to meet its commitments

Further details of business goals and strategy are set out within Anglian Water's 2026 Annual Integrated Report.

Water Supply Services

As at the date of this Prospectus, Anglian Water supplies around 1.2 billion litres of drinking water, to c. 5 million people, via 140 water treatment works and over 39,000 kilometres of water mains. The water side of Anglian Water’s operations covers abstraction of raw water – that is, the water Anglian Water takes out of the environment and its subsequent treatment and distribution to homes and other premises. Abstraction refers to the removal of water from surface sources, such as reservoirs and rivers, or from underground sources, such as aquifers. All water is then treated prior to being supplied to customers. Partially treated water may be supplied for industrial use, but water undergoes full treatment before being supplied to domestic customers, with the treatment processes

used dependent on the quality of the raw water. In general, water abstracted from underground sources is of high quality and requires minimal treatment, whereas water abstracted from rivers and reservoirs undergoes a complex sequence of advanced treatment processes, typically clarification, filtration, ozonation and granular activated carbon. All water is then disinfected to treat any potentially harmful micro-organisms. Water from treatment works then passes through a distribution network of interconnected water mains, service reservoirs and water towers.

Water Resources and Supply

The overall security of the supply system has been improved through investment in key resilience schemes e.g., the development of a strategic main that allows for water treated at Rutland to be transferred to Grafham, and "daisy chain" work across sources in North Norfolk to better connect these more isolated systems. Further investment is being undertaken to improve connectivity between sources, not least over 400km of strategic main linking the north to the south of Anglian Water's region. Future resilience is proposed to be provided through the two new reservoirs being progressed in Lincolnshire and Cambridgeshire.

In addition, Anglian Water relies on water demand modelling to maintain a secure balance of water supply and demand. The demand for water is forecast by considering the components of residential and commercial/industrial supplies and leakage. This is supported by extensive analysis of domestic water use, economic analysis of trends in industrial demand and the evaluation of leakage levels and the costs and feasibility of reducing leakage further. The forecasts are revised periodically and agreed with Ofwat, and the EA. Forecasts of demand include the distribution and predicted growth of population at local level and the impact of climate on the peak demand for water. These forecasts form a key part of the Water Resources Management Plan ("**WRMP**").

Anglian Water's long-term strategy to maintain the balance between supplies and demand is documented in its WRMP. This is a regulatory return under the Water Act 2003. The WRMP 2024 was published in September 2024 following approval by the Secretary of State. The plan, which covers the period from 2025-2050, takes account of forecast demand, as described above. The plan also accounts for reductions in available water due to climate change and environmental pressures, as well as planning for resilience to severe drought events with a 1-in-200-year and 1-in-500-year (from 2040) return period.

The plan takes a twin track approach to address these risks and ensure continued security of supply with a focus on demand management to reduce the amount of water used and investment in new supply-side options to increase the amount of water available. Anglian Water's demand management strategy includes installing smart meters, reducing leakage, and investing in water efficiency and behavioural change campaigns. Anglian Water is recognised as an industry leader in the field of reducing leakage and through its delivery of smart meters.

In terms of new supply-side options, Anglian Water is investing in over several hundred kilometres of strategic, interconnecting pipelines to form a new network, that will move water from areas of surplus (mainly Lincolnshire) to areas of deficit (in Cambridgeshire, Suffolk, and Essex) and provide resilience across the region.

Anglian Water's approach to managing water resources, supply, and demand during periods of exceptionally low rainfall is documented in its Drought Plan, with the latest version published in April 2022. The 2027 Drought Plan is currently being prepared and was consulted on in 2026.

Anglian Water monitors volumes of abstracted water through a fully maintained and telemetered metering system. The telemetered flow data from these meters is recorded on the Licensed

Abstraction Reporting System ("**LARS**"). Similarly, all treated water leaving Anglian Water's treatment works is measured through a fully maintained and telemetered system. The telemetered flow data from these meters is recorded on the Source Works Output Reporting System ("**SWORPS**").

Customers and Turnover during the year ended 31 March 2025, Anglian Water distributed an average of 1,155 million litres of treated water per day to approximately 2.3 million properties in the Anglian Water licence area. Anglian Water also delivered 44 million litres of partially treated water per day from its non-potable works. In the same period, Anglian Water installed approximately 14,000 new water connections. Anglian Water's customer base for water services is predominantly residential.

On the basis of the Regulatory Information for the year ended 31 March 2026, the turnover from Anglian Water's wholesale water business was £821.4 million and this comprised 45.9 per cent. of Anglian Water's turnover (relating to Anglian Water's wholesale business for household and non-household customers). It should be noted that from 1 April 2017 non-household customers are no longer directly billed by Anglian Water but rather via the relevant retailer.

Water Services Infrastructure

Anglian Water operates circa 140 water treatment plants, producing more than 1.1 billion litres of water a day, and maintains more than 39,200km of water mains. At peak periods, Anglian Water produces more than 1.5 billion litres of water a day with the most recent highest peak recorded in July 2026. A combination of enhanced pressure management and network optimisation has reduced the susceptibility of mains bursts. Additional monitoring infrastructure has been installed to allow Anglian Water to see new leak locations in near real time and allow the company to repair them quicker, often before customers are aware of them. These together with targeted replacement of mains with high burst frequency have helped to reduce leakage and the susceptibility of mains bursts such that Anglian Water's leakage performance remains one of the best of the water and water recycling companies in the UK despite the adverse impact of extreme summer and winter conditions in recent years.

Capital Investment

Between 1 April 2025 and 31 March 2026, representing the first year of the asset management plan (AMP8 Period), Anglian Water invested £463.0 million in capital projects related to improvements in water recycling treatment, water recycling infrastructure and sludge treatment, of which £232.5 million was for investment in new assets and £210.6 million was invested in maintaining existing infrastructure, £19.7m was invested in developer services and diversions, and £0.2 million was invested in assets used for third party services.

Drinking Water Quality and Service Performance

Anglian Water continually invests to ensure that the high standard of drinking water quality is maintained. Ofwat reviews proposals and determines the level of investment with schemes related to water quality also supported by the Drinking Water Inspectorate ("**DWI**"). During the AMP7 Period, Anglian Water invested £25 million on drinking water quality improvements. Over the next five years through to 2030, circa £215 million in drinking water quality enhancements have been proposed, including treatment for parameters such as nitrate and PFAS.

To assess compliance with drinking water standards prescribed in the Water Supply (Water Quality) Regulations 2016 as updated in 2018 (the "**Water Quality Regulations**"), Anglian Water monitors water quality through an extensive programme of regular sampling and analysis across Anglian Water's assets and directly from customers' taps in its supply zones. Water Quality Regulations sample results are submitted to the drinking water quality regulator, the DWI, monthly.

The DWI has powers to require improvements or take other enforcement action, although it may refrain from doing so if satisfied that Anglian Water is taking appropriate remedial action.

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

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

In 2025 the CRI score for Anglian Water was 2.95. This is higher than the company's 2024 score of 2.11. Anglian Water's storage point improvement programme continues to focus on asset health and the use of water quality monitoring technology across the region is being built. The customer contact data deteriorated from a 10 year low at 0.91/1000 population in 2024 to 1.05/1000 population, which was primarily driven by an appearance event in the north of Anglian Water's region.

Water Recycling Services (comprising water recycling networks and sludge)

Anglian Water's water recycling services consist of the collection and disposal of wastewater including domestic wastewater, trade effluent and surface water (including highway drainage). Wastewater is collected through networks of 78,563 km of sewers via 6,763 pumping stations and treated at 1,128 water recycling centres. The extracted organic solids waste undergoes further treatment and drying standards and is subsequently applied to agricultural land as a natural fertiliser and a valuable source of soil organic matter in compliance with the UK Biosolids Assurance Scheme.

Customers and Turnover

For the year ended 31 March 2026, Anglian Water received an estimated flow of 900 megalitres per day of domestic wastewater into its water recycling network, which serves approximately 3.0 million properties. In addition, it received an average volume of 55 mega litres per day of trade effluent from approximately 3,300 commercial customers. During the year ended 31 March 2026, Anglian Water approved approximately 25,559 new water recycling connections. 95 per cent. of Anglian Water's customers are residential and 5 per cent. are industrial/commercial customers. Currently, no single customer accounts for more than 0.34 per cent. of Anglian Water's total revenues from water recycling services. On the basis of the Regulatory Information for the year ended 31 March 2026, turnover from the water recycling business for that year was £969.4 million or 54.1 per cent. of Anglian Water's wholesale business.

Pollution and Quality Control

Wastewater is collected via Anglian Water's water recycling networks and treated at its water recycling centres. The effluent from water recycling centres is discharged to controlled waters (including rivers and other inland and coastal waters) in accordance with consents issued and regulated by the EA. Another product of water recycling treatment is sewage sludge. In the year ending March 2026, 94.3 per cent. of the sewage sludge (biosolids) processed by Anglian Water was recycled to agricultural land. 0 per cent. was utilised for Land reclamation, 4.4 per cent. was exported for treatment by other Water companies and 1.3 per cent. was exported for third party composting. None was sent to landfill or incinerated in the fiscal year ending March 2026.

The recycling of treated sludge to agricultural land is controlled by UK regulations, compliance with which is monitored by the EA.

As of December 2025, 98.2 per cent. of Anglian Water's water recycling centres complied with the terms of the permits under which they are entitled to return treated effluent to environmental waters, compared to 99.2 per cent. in 2024.

Anglian Water seeks to ensure high levels of bathing water quality. Over the past 25+ years Anglian Water has invested over £300 million to protect the UK coastline. Anglian Water's AMP8 investment plan includes £120 million for disinfection, spill reduction and investigation schemes at shellfish and bathing water locations in the Anglian region. Anglian Water continues to support the introduction of new inland bathing water schemes. There is a potential further £117m for enhancement schemes, including disinfection and spill reduction schemes, around newly designated inland bathing waters, where the need for improvements are identified in the current Source Apportionment Studies, due for completion in 2027.

There are currently fifty-four designated bathing sites across the Anglian Water region. In 2025, Anglian Water had the strongest regional performance with thirty-six bathing waters attaining 'Excellent' status, compared to thirty three attaining 'Excellent' status in 2024.

Customer Charging — Water Supply and Water Recycling Services

Charges for water supply and water recycling 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, half-yearly or by instalments. For supplies of metered water, domestic customers are billed quarterly, half-yearly or annually, in all cases in arrears. Non-domestic customers are served by licensed retailers as a result of regulatory and market changes introduced in April 2017. Wholesale charges between retailers and Anglian Water are settled through the retail market process on a monthly basis. See Chapter 3, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Charges for bulk supplies of water are usually determined on an individual basis, as are charges for some larger commercial water supplies and some industrial water recycling. The charging basis for bulk supplies in some cases provides for annual recalculation by reference to the expenditure associated with the supply. Trade effluent from industrial users is normally charged on a formula basis taking account of the volume of water recycling, its strength and costs of removal and treatment.

According to data compiled for Ofwat, the average annual household bill within the water supply and water recycling licence areas served by Anglian Water for the year ending 31 March 2026 would be £630, comprising £311 for water supply and £319 for water recycling services. Ofwat sets limits on Anglian Water's allowed revenues for the provision of water supply and water recycling services. See "*Risk Factors – Risks relating to the Issuer - Failure to meet costs allowed under price controls*".

Approximately 89 per cent. of Anglian Water's residential customers are metered for the year ended 31 March 2026. Although the domestic rating system was discontinued in 1990 (under the provisions of the UK Local Government Finance Act 1988), under the WIA, water companies were originally allowed to continue to use rateable values for charging until 1 April 2000. However, following a review of water and water recycling charges in England and Wales, the Government has allowed companies to continue using the system after that date. At the same time, it has made changes designed to encourage the use of water meters on domestic properties. See Chapter 3, "*Management's Discussion and Analysis of Financial Condition and Results of Operations" and Chapter 11, "Regulation of the Water and Water Recycling Industry in England and Wales*".

As a consequence of the experience gained in respect of metering, Anglian Water has developed and introduced a number of tariff options. In 1998, Anglian Water was the first regulated water and water recycling company in England and Wales to introduce a tariff which targeted assistance at the more vulnerable customer groups. This idea was later adopted by the Government and, under regulations made under the WIA, it is now mandatory for all water and water recycling companies in England to offer a tariff to assist certain vulnerable customer groups.

Anglian Water has since privatisation expanded the range of tariffs available to non-household customers with the result that charges more closely reflect the costs of servicing the different types and sizes of customers. Management believes this development makes charges fairer for all customers.

Anglian Water offers a range of separate tariffs to retailers serving industrial customers. Its range of large user tariffs covers drinking water, water recycling and trade effluent. Further refinements include separate tariffs for non-potable water, and the availability of an interruptible tariff. These are augmented by a change in the structure of tariffs for large water users, whereby a maximum daily water demand of each customer is subject to a separate charge.

For the AMP8 Period, Final Determinations include controls based on total allowed costs to be recovered through revenue for wholesale water supply and water recycling services, and an average revenue control for household retail services, adjusted to reflect the difference between actual and forecast customer numbers. Companies are required to publish both wholesale and household retail charges (retailers publish non-household retail charges). They are required to provide an assurance that their charges will recover the allowed level of revenue based on customer numbers x demand x price.

Bad Debts

Following the introduction of the WIA in 1999, regulated water and water recycling companies were barred from disconnecting residential customers from their water supply for failure to pay bills. Retailers, however, are subject to strict payment terms imposed by the market operator, MOSL, and persistent failure to meet these payment terms could result in their trading licence being revoked. Anglian Water, through the use of a dedicated billing call centre, contacts customers who are in arrears and arranges payment plans wherever possible.

Anglian Water calculates its bad debt provisions by firstly evaluating the estimated recoverability of trade receivables. A provision is recorded based on certain factors, primarily cash collection history, and adjustments are made as necessary to reflect changes in relevant circumstances, including economic conditions. There is also an assessment of the potential impact of wider macroeconomic conditions on the bad debt charge, based on relevant market data and a review of post year-end cash collection rates.

Bad debts are measured by Anglian Water as a percentage of Anglian Water's gross revenue for the appointed household business only (as reported in the Regulatory Information).

Suppliers

Anglian Water depends upon a number of key inputs to deliver its water and water recycling services and to construct new assets. Anglian Water relies on (i) IT software and hardware to monitor delivery and supply from and to its water and water recycling network, to schedule deployment of its own resources along with those of certain suppliers to manage its infrastructure and assets, and billing of customers, (ii) electricity to operate pumping stations, treatment plants and the pipe networks, (iii) chemicals for water purification and water recycling treatment and (iv) a variety of materials and

support services relating to construction of plants, installation of network infrastructure and other capital plant works. A number of these are sourced from separate suppliers so as to ensure Anglian Water's supply chain resilience. In respect of energy costs Anglian Water has implemented a hedging strategy in its procurement that enables it to mitigate increases in energy costs. Alongside such hedging Anglian Water generates circa 10 per cent. of its own electricity (this excludes corporate power purchase agreements and self-generated exported renewable energy) and has entered into agreements for third parties to install solar renewable energy assets upon its sites from which it purchases electricity at a fixed price.

Outsourcing

Like most of the water and water recycling industry, Anglian Water outsources most of its capital investment programme and many of its day-to-day operations to third-party providers of goods and services. Just under half of Anglian Water's Totex investment programme is carried out in collaboration with the @one Alliance made up of eight leading construction industry companies integrated with Anglian Water staff, operating an industry leading incentivised commercial model, and are measured through a number of key performance indicators. The Strategic Pipeline Alliance, which was appointed to deliver the pipelines associated with the Water Resource Management Plan for AMP7 and will continue into AMP8, in addition a further framework has been awarded in 2026 which will focus on Major Projects delivery so as to ensure that the @one Alliance can continue to focus on the delivery of the majority of the rest of Totex programme. The balance of the Totex programme is made up of lower value schemes and is also delivered in an incentivised collaborative manner by four further strategic alliances which also include Anglian Water staff. In respect of operations, outsourced services include water and water recycling pipe repair and maintenance, IT services, staff training, facilities management functions and some minor operations such as small value water and water recycling maintenance contracts. The principal customer-facing roles are not outsourced.

The Common Terms Agreement sets out parameters that Anglian Water must adhere to in connection with its outsourcing of contracts. See Chapter 6, "*Financing Structure*".

See Chapter 12, "*Licence Conditions – Anglian Water's Control over its Operations*".

Dividends and Dividend Policy

On 9 June 2026, the Board recommended a final dividend of £90.0 million in relation to 2025/26, which was paid to the Company’s sole member on 25 June 2026 although no dividend was paid to the ultimate shareholders. The dividend was determined in accordance with the Company’s dividend policy, taking into account service delivery for customers and the environment, current and future investment needs and financial resilience over the longer term.

The Board has an approved dividend policy, under which dividend payments take account of a range of matters including service delivery for customers and the environment, current and future investment needs and financial resilience over the longer term.

The full dividend policy is available on the Anglian Water website.

Insurance and Risk Management

Anglian Water procures a number of insurance policies, as set out in Schedule 16 of the CTA. These have been reviewed and approved by an independent insurance adviser retained to ensure that Anglian Water's insurances (i) are consistent with Good Industry Practice, (ii) have regard to the risk being covered and (iii) address the interests of Anglian Water and each Finance Party.

With respect to high severity but low probability (catastrophic) events that would significantly impact Anglian Water's business (such as a dam burst), the approach is to purchase insurance from external carriers with appropriate levels of self-insured retention.

With respect to low severity high frequency events, it is not cost effective to purchase insurance cover for these risks and Anglian Water makes provision for such losses within operating cash flow.

Anglian Water is required to follow the requirements of Schedule 16 of the CTA by using only external insurance providers who (a) have a minimum long-term credit rating of "A" and/or (b) are acceptable to the Security Trustee and each Financial Guarantor. Willis Limited, or any other such reputable insurance broker appointed by Anglian Water, monitors and advises the Anglian Water Group's insurance department of any deterioration in the credit rating of Anglian Water's insurance carriers.

The Common Terms Agreement contains provisions requiring Anglian Water's on-going insurance regime to meet various criteria. These are outlined in greater detail in Chapter 6, "*Financing Structure*".

Employment

Anglian Water employed approximately 6,900 full time equivalent staff at 1 August 2026. Where Anglian Water employees provide services to the rest of the Anglian Water Group (e.g., payroll), such services are charged out on an arm's length basis.

The costs of any benefits (such as medical expenses insurance) purchased by Anglian Water Group companies (other than Anglian Water) and provided to employees of Anglian Water and other Anglian Water Group companies are similarly shared on an arm's length, pro rata basis. See Chapter 5, "*Ring-fencing and the Anglian Water Services Financing Group*".

Pensions

From 1 April 2018 significant changes were made to the provision of pension benefits to employees in Anglian Water through the Anglian Water Group Pension Scheme (the "**Pension Scheme**"). All defined contribution and defined benefit sections of the Pension Scheme were closed to future accrual and additional member contributions. Defined Contribution pension arrangements are now in place to all employees through a Master Trust defined contribution pension plan (the "**Pension Plan**").

Litigation

Ongoing legal proceedings that have been issued against Anglian Water have been described in Chapter 1.1.2 “Investigations”.

CHAPTER 5
RING-FENCING AND THE ANGLIAN WATER SERVICES FINANCING GROUP

5.1 Ring-fencing

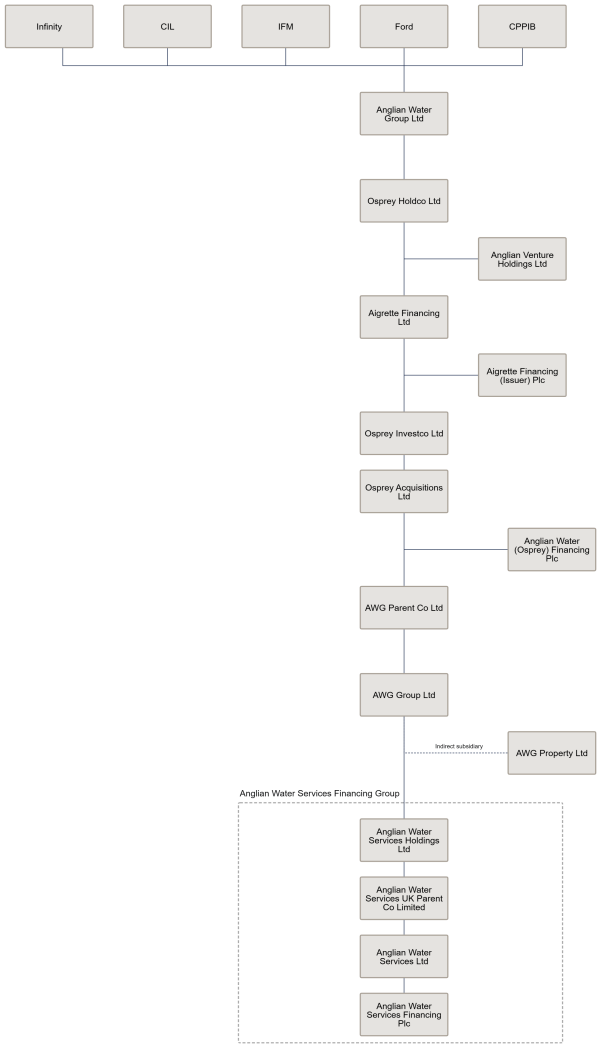
5.1.1 Introduction

As part of its obligations as a Regulated Company, Anglian Water is subject to certain ring-fencing restrictions under its current Licence. See Chapter 5.1.2, "*Regulatory Ring-fencing*" and Chapter 12, "*Licence Conditions – Anglian Water's Control over its Operations*".

In addition, to reduce Anglian Water's exposure to credit and event risk of other Anglian Water Group companies, the Anglian Water Group created a new "ring-fenced" financing group (being the "***Anglian Water Services Financing Group***"). These measures also reflect the requirements of the covenant and security package as summarised in Chapter 6, "*Financing Structure*".

The ring-fencing measures are intended to ensure: (i) that Anglian Water has the means to conduct its Regulated Business separately from the other Anglian Water Group companies; and (ii) that all dealings between the Anglian Water Group and the Anglian Water Services Financing Group are on an arm's length basis.

The ownership structure of the Anglian Water Services Financing Group is as follows:



Updated Key

CPPIB	CPP Investment Board Private Holdings (6) Inc. (an indirect wholly-owned subsidiary of the Canada Pension Plan Investment Board)
Ford	Ford Water Holdco (UK) Limited is a wholly owned subsidiary of Ontario Teachers' Pension Plan.
IFM	Global InfraCo (HK) E. Limited (an indirect, wholly-owned subsidiary of Conyers Trust Company (Cayman) Limited in its capacity as trustee of IFM Global Infrastructure Fund)
CIL	Camulodunum Investments Ltd (a 50/50 joint venture between Dalmore Capital Partners and GLIL)
Platinum Globe	Platinum Globe A 2013 RSC Limited

The main elements comprising the structural and legal ring-fencing of the Anglian Water Services Financing Group from the other Anglian Water Group companies are set out below.

5.1.2 Regulatory Ring-fencing

The ring-fencing provisions of the Licence as at the date of this Prospectus which Anglian Water considers to be most important are:

(a) **Transactions between Anglian Water and its associated companies**: Any transaction between Anglian Water 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 Anglian Water (or vice versa). See Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*". This requirement is supplemented by RAG 5, failure to comply with which (or with any of Ofwat's Regulatory Accounting Guidelines) may give rise to a breach of the Licence and possibly the Competition Act 1998.

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

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

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

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

(f) **Special administration**: Anglian Water must ensure at all times, so far as reasonably practicable, that if a Special Administration Order was made in respect of it, Anglian Water would have available to it sufficient rights and resources (other than financial resources) to

enable the Special Administrator to manage its affairs, business, and property so that the purposes of such order could be achieved. See Chapter 11.5, "*Regulation of the Water and Water Recycling Industry in England and Wales — Special Administration Orders*".

(g) **Conducting the Appointed Business of Anglian Water**: Anglian Water is required to operate the Appointed Business as though it were substantially Anglian Water's sole business and Anglian Water was a separate public limited company.[3] It is also required to meet Ofwat's objectives on board leadership, transparency, and governance, which are set out below, and explain in a manner that is effective, accessible and clear how it is meeting those objectives. The objectives are that:

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

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

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

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

On 23 July 2026, Ofwat opened a consultation on a proposed Water Governance Code that would replace the existing Board Leadership, Governance and Transparency Principles 2019 (BLTG) principles for regulated water companies in England and Wales, as part of the reforms enabled by the Water (Special Measures) Act 2025. The consultation closed on 10 September 2026. The consultation proposed that the Water Governance Code will apply to companies in scope from the financial year beginning in April 2028.

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

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

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

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

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

(i) give Anglian Water all such information as may be necessary to enable Anglian Water to comply with the Licence; and

(ii) refrain from any action which might cause Anglian Water to breach any of its obligations under the WIA or the Licence.

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

As noted above, there is an obligation to inform Ofwat if Anglian Water becomes aware that arrangements are in progress that may lead to a change of Ultimate Controller; and to enforce Ultimate Controller undertakings given to Anglian Water if Ofwat so directs.

5.1.3 Corporate Structure

The regulatory ring-fencing measures described above have been enhanced by the separation of Anglian Water from the other businesses of the Anglian Water Group through the interposition of two intermediate special purpose Holding Companies, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited, each of which is incorporated in England and Wales. Anglian Water Services Holdings Limited is a wholly-owned subsidiary of AWG Group Limited. The principal purpose of Anglian Water Services Holdings Limited is to hold all of the shares in Anglian Water Services UK Parent Co Limited and the principal purpose of Anglian Water Services UK Parent Co Limited is to hold all of the shares in Anglian Water.

5.1.4 Directors

The board of directors of each company in the Anglian Water Services Financing Group may comprise directors who are also directors of other Anglian Water Group companies outside the Anglian Water Services Financing Group. Currently Sir Ian Cheshire (Chair of AWGL) is Chair of Anglian Water; Mark Thurston (Chief Executive Officer of AWGL) is Chief Executive Officer of Anglian Water; and Michael Bradley (Chief Financial Officer of AWGL) is Chief Financial Officer of Anglian Water (Please see

section 5.2.1 "*Anglian Water Incorporation, Board of Directors and Corporate Governance – directors of Anglian Water*").

The Companies Act 2006 provides that a director has a duty to avoid situations in which they have, or could have, a direct or indirect interest that conflicts with the interests of the company; and that if they are in any way, directly or indirectly interested in a proposed transaction or arrangement with the company, they must declare the nature and extent of that interest to the other directors.

The constitutional documents of each company in the Anglian Water Services Financing Group state that, provided they have made disclosure to the directors, a director may be a party to, or otherwise interested in, any transaction or arrangement with the company. No director may vote on any contract, transaction, or arrangement between a company in the Anglian Water Services Financing Group and any other company of which they are a director, other than a company in the Anglian Water Services Financing Group. All directors are entitled to vote on the matter of dividends and distributions to Anglian Water Group companies. The boards of the companies in the Anglian Water Services Financing Group require all conflicts of interest of directors to be disclosed. On 26 February 2009, the board of directors of the Issuer, Anglian Water and Anglian Water Services Holdings Limited passed ordinary resolutions in line with the new Companies Act 2006 provisions and subject to the relevant company's Articles of Association. The resolutions allow a director to be a party to a contract or transaction where that director may have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company, provided they disclose that interest to the other directors. Where a director has an outside interest which can reasonably be regarded as likely to give rise to a conflict of interest, the director is required to take additional steps in order to manage such conflict, including (i) declaring to the meeting that they have such an interest, but the director is not required to disclose the nature of that interest where they are subject to confidentiality obligations; (ii) absenting themselves from any relevant meetings of the directors; and (iii) not reviewing any relevant documents or information made available to the directors generally and/or arranging for such documents to be reviewed by a professional adviser to ascertain the extent to which it might be appropriate for them to have access to such documents. Nevertheless, subject to the provisions of the articles the director is still entitled to vote on such matter in which they are interested and be counted towards the quorum and retain for their own absolute use and benefit all direct or indirect profits and advantages.

The Common Terms Agreement provides that following the occurrence of a Trigger Event and if the Trigger Event has not otherwise been remedied or waived, the Security Trustee is entitled to procure the appointment of additional non-executive directors to the board of Anglian Water and a similar entitlement applies in relation to the other companies in the Anglian Water Services Financing Group (the "**Security Trustee Directors**"). See Chapter 6.5.8, *"Financing Structure — Common Terms Agreement — Trigger Event Consequences"*. The articles of association of each company in the Anglian Water Services Financing Group provide that the total number of votes capable of being cast by Security Trustee Directors in respect of any question arising at a meeting of the Directors cannot exceed the total number capable of being cast by the other Directors participating in the meeting in respect of that question. Additionally, the articles of association of each company in the Anglian Water Services Financing

Group provide that no Security Trustee Director may be appointed chairman or vote on any resolutions concerning the appointment or removal of a chairman.

5.1.5 Management Compensation

Anglian Water's remuneration policy reflects the organisation's desire to achieve both short-term and long-term goals aligned across multiple stakeholder groups. AWS has an Annual Bonus Plan, payable annually, which reflects the performance of the Water Services Business. The primary performance conditions that govern the extent to which the Awards will vest is based on customer, infrastructure and environmental measures. A Medium Term Alignment Plan forms part of Anglian Water Group's remuneration. The Executive Directors have been given specific targets relevant to their broader roles across the Anglian Water Group companies.

5.1.6 Security and Covenant Packages

In connection with the restructuring of Anglian Water, the Anglian Water Services Financing Group provided as full a security package as was commensurate with the limitations imposed by the WIA and the Licence.

Pursuant to the covenant package (as set out in Chapter 6.5.3, *"Financing Structure — Common Terms Agreement — Covenants"*), dividends, management fees (if any), Customer Rebates and other such distributions are only permitted provided that no Trigger Event or Event of Default is continuing, and historical and forward-looking interest cover ratios and regulated asset ratios and certain other conditions are met. In addition, the companies in the Anglian Water Services Financing Group may incur new financial indebtedness to make Restricted Payments only if certain additional ratio tests are met. The security package and the covenant-based ring-fencing restrictions placed on the Anglian Water Services Financing Group are set out in Chapter 6, *"Financing Structure"*.

5.1.7 Business Separation

Anglian Water operates as a separate corporate entity from the other Anglian Water Group businesses. The Anglian Water Group achieved this separation to the fullest extent practicable by asset and business transfers and by ensuring that contracts between Anglian Water and Anglian Water Group companies were entered into on an arm's length basis. In addition, all existing and new debt as at the Initial Issue Date relating to the regulated water and water recycling business was transferred to and issued by the Issuer, or in certain limited circumstances, Anglian Water, thereby severing any financing links between the Anglian Water Services Financing Group and other companies in the Anglian Water Group.

Pursuant to the ring-fencing obligations, Anglian Water has access to all employees required to run the Regulated Business, including adequate management resources. The majority of such employees are employed by Anglian Water.

The general health and safety policy for companies within the Anglian Water Group is set by AWGL, but Anglian Water-specific policy, procedures and administration are carried out by Anglian Water.

All transactions entered into by the Anglian Water Services Financing Group with third parties (including other Anglian Water Group companies) are entered into on an arm's length basis. Any transaction between Anglian Water and another company in the

Anglian Water Group is formally reviewed to ensure compliance with the Licence, RAG 5 and procurement regulations. See Chapter 12, *"Licence Conditions – Anglian Water's Control over its Operations"*.

As part of the ring-fencing arrangements, Anglian Water's activities are restricted to the business of a Regulated Company in England and Wales. Anglian Water's management has retained some non-regulated business and assets within permitted *de minimis* levels (for example, providing certain recreational water activities in or around its reservoirs).

Under the covenant package, the Security Trustee may permit Anglian Water to enter into limited joint ventures in areas outside the regulated water and water recycling business subject to certain limitations on the aggregate value of all non-regulated business. See Chapter 6, *"Financing Structure"*.

Under the covenant package, Anglian Water is able to acquire assets or make disposals only if conditions relating to each are met (for example, regulated asset ratio requirements in relation to disposals). See Chapter 6.5.5, *"Financing Structure — Common Terms Agreement — Covenants — General"*.

5.1.8 Ongoing Trading Relationships with other Anglian Water Group companies

Pension Scheme

Anglian Water participates in the same retirement benefit arrangements as some other companies in the Anglian Water Group, including the Pension Scheme. The ring-fencing programme does not segregate Anglian Water's pension arrangements from those of the Anglian Water Group. However, Anglian Water's contributions to the Pension Scheme are made in respect of Anglian Water's employees only. Anglian Water has entered into agreements with the other Anglian Water Group companies participating in the Pension Scheme to provide that these companies will withdraw from the Pension Scheme if they are unable to meet their contribution obligations. Transfer payments made out of the Pension Scheme in respect of employees of the withdrawing employer reflect any failure on the part of the withdrawing employer to pay contributions. These measures are intended to minimise the risk of any cross-subsidy within the Pension Scheme between Anglian Water and other Anglian Water Group companies.

Intellectual Property ("IP")

Anglian Water's water and water recycling businesses do not depend heavily on IP and, apart from software licences, there are no other significant "licences-in" of third-party IP. Anglian Water owns all of the active UK-registered "Anglian Water" trademarks together with such registered and unregistered intellectual property rights as may subsist in work product produced by its employees.

5.2 The Anglian Water Services Financing Group

5.2.1 Anglian Water Incorporation, Board of Directors, and Corporate Governance

Anglian Water Details

Anglian Water is a private limited company which was incorporated in England and Wales on 1 April 1989 under the Companies Act 1985 with registered number 2366656. The registered office and headquarters of Anglian Water are at Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

As at 31 March 2026, Anglian Water's issued share capital is £32,000,003 divided into 32,000,003 ordinary shares of £1 each.

The service address of the directors of Anglian Water is Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire PE29 6XU; the telephone number is 01480 323 000.

Anglian Water appointed Deloitte LLP as its external auditor with effect from 1 September 2016.***Directors of Anglian Water***

Anglian Water operates under the overall direction of Anglian Water's Board of Directors (the "**Board**") which is responsible for policy and strategic matters. The Board currently consists of an independent non-executive chair, two executive directors, four independent non-executive directors and four additional non-executive directors. All of the directors of Anglian Water, with the exception of the four additional non-executive directors, are also directors of the Issuer, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited.

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

Chair

Sir Ian Cheshire

Sir Ian Cheshire was appointed Chair of the Anglian Water Board and Chair of the Nomination Committee in July 2026.

Sir Ian’s executive career was spent in retail and customer-focused businesses in senior leadership and commercial roles, latterly as Group Chief Executive of Kingfisher Plc from 2008 to 2015, having previously served as Chief Executive of B&Q Plc from June 2005 to January 2008.

Sir Ian previously held FTSE 100 non-executive director roles at Barclays Plc (and as Chair of Barclays Bank UK), Whitbread Plc, where he was Senior Independent Director and BT Group Plc, where he was Chair of the Remuneration Committee. He was also Chair of Channel 4 until April 2025 and Chair of UK investment trust Menhaden Resource Efficiency Plc until May 2023.

He was the lead non-executive director at the UK Cabinet Office and Department for Work and Pensions. Sir Ian was also Chair of the British Retail Consortium, Chair of the Prince of Wales Corporate Leaders Group on Climate Change, President of the Business Disability Forum President’s Group and chaired the Ecosystem Markets Task Force and GR Task Force.

Sir Ian was knighted in the 2014 New Year Honours for services to Business, Sustainability and the Environment and is a Chevalier of the Ordre National du Merite of France.

Sir Ian is Chair of Land Securities Group PLC. He also chairs the King Charles III Charitable Fund and the corporate climate change coalition, We Mean Business. Sir Ian is Chair of the Institute for Government and the Chair of Ofcom, the UK’s independent regulator for communications.

Executive Directors

Michael Bradley

Chief Financial Officer

Michael Bradley was appointed as Chief Financial Officer in November 2024.

Michael is a qualified management accountant with more than 25 years' experience operating at board level, supporting companies in both the public and private sectors. He has led Finance, IT and business-wide transformation in large complex organisations.

Michael was previously at EG Group, where he led the Finance team, supporting a global business with over 50,000 employees, and successfully navigated EG Group through a complex financial restructuring. Between November 2018 and August 2022, Michael was Chief Financial Officer at High Speed 2 Limited and he has also held senior roles at Defence Equipment and Support (DE&S), Enterprise and Alstom Transport.

Michael was appointed Companion of the Order of the Bath (CB) in the 2017 New Year Honours.

Mark Thurston

Chief Executive Officer

Mark Thurston joined Anglian Water as Chief Executive Officer Designate in July 2024 and was appointed as Chief Executive Officer in August 2024.

Mark is an engineer and highly experienced leader who, for more than 30 years, has held leadership roles in the infrastructure sector. Mark was previously European Managing Director of the engineering and projects company CH2M and played a key role in the growth of the business. While at CH2M, he worked on both the London 2012 Olympics and Crossrail. Most recently, he was Chief Executive Officer of the High Speed Two Limited from March 2017 to September 2023. During his tenure, he oversaw the development of an organisation and joint venture partnership model, with the largest supply chain of any infrastructure project in the UK. With deep experience in both public and private sectors, Mark has a strong track record across projects and businesses requiring complex stakeholder engagement, including a high-profile regulatory and government interface.

Having started his career as a technician apprentice on the London Underground, Mark is a chartered electrical engineer, an honorary fellow of the Association for Project Management, a fellow of the Institution of Civil Engineers and a member of the Institution of Engineering and Technology.

Mark is a visiting professor at both the Bartlett School of Sustainable Construction at UCL and the School of Complex Project and Programme Leadership at Loughborough University. He has received an honorary Doctorate of Technology from the University of East London (UEL) and Loughborough University. In October 2023, Mark became a member of Council at Loughborough University and in September 2024, became a board member of Water UK.

Independent Non-Executive Directors

Kath Durrant

Kath Durrant was appointed as an Independent Non-Executive Director in March 2024 and became Chair of the Remuneration Committee in June 2024.

Kath has more than 30 years' Human Resources experience, with a strong operational and strategic track record, gained at a number of large global manufacturing companies. As well as working at GlaxoSmithKline plc and AstraZeneca plc she has served as the Group Human Resources Director of Rolls-Royce plc, and was most recently Group HR Director of Ferguson plc and Chief HR Officer of CRH plc.

She served as a non-executive director and Chair of the remuneration committee of Renishaw plc from 2015 to 2018 and of Calisen plc from 2020 to 2021. Kath was also an independent non-executive director and Chair of the remuneration committee of Vesuvius plc from 2020 to 2024.

Kath is Senior Independent Director Remuneration Committee Chair at SIG plc and a non-executive director and Remuneration Committee Chair of Essentra plc.

Ian Funnell

Ian Funnell was appointed as an Independent Non-Executive Director in August 2024 and Chair of the Regulatory Compliance Committee in July 2025.

Ian has extensive experience in the energy sector in both executive and non-executive roles in the UK and international power sectors. He has also worked in the digital industry and global oil and gas sectors and on the delivery of major infrastructure projects. Ian’s track record includes a focus on business performance, a strong stakeholder engagement ethic and an extensive network across businesses at board level, senior levels of government and academia both in the UK and internationally.

Ian originally joined ABB in 1999 - a global technology company that works closely with utility, industry, transportation and infrastructure customers - and was appointed CEO of ABB UK in January 2015. In January 2020, he was appointed CEO of Hitachi Energy Ltd in the UK and Ireland, where he contributed widely to sector initiatives in support of decarbonisation. He stepped down from his executive role in July 2022.

Ian has held positions on the Made Smarter Commission, the UK Government’s Advisory Board of Innovate UK (Energy Revolution), the CBI President’s Committee, Chair of the CBI’s Northwest Regional Council and the Covid Recovery Commission, where he helped shaped recommendations for the Government’s levelling up and building back better programmes. Most recently, Ian was Chair of the UK’s National Nuclear Laboratory, advisor to the President of Hitachi Europe, an Ambassador of the Women Leaders Association and Chair of the Energy Futures Laboratory at Imperial College London.

Ian was appointed Non-Executive Director of the NG Bailey Group in August 2022 and Chair of the Group in February 2023.

Alistair Phillips-Davies

Alistair Phillips-Davies was appointed as an Independent Non-Executive Director in November 2022 and Senior Independent Non-Executive Director in October 2025. Alistair joined SSE plc (Southern Electric) in 1997 and has been Chief Executive between 2013 and 2025. He has held a range of senior roles across multiple business areas within the SSE Group. Prior to joining the Board in 2002 as Energy Supply

Director, Alistair was Director of Corporate Finance and Business Development. In 2010, he became Generation and Supply Director, before Deputy Chief Executive in 2012.

Prior to joining SSE plc, Alistair worked for HSBC and National Westminster Bank in corporate finance and business development roles, in London and New York. Alistair is also a former vice president of Eurelectric and former director of Energy UK. Most recently, he was a member of the Scottish Energy Advisory Board, UK Govt Hydrogen Advisory Council and UK Govt Net Zero Council. Alistair was also Co-Chair of Utilities for Net Zero Alliance and a fellow of the Energy Institute.

Alistair is a chartered accountant, Chair of the SSEN Distribution board and Clean Power Commissioner of the Department for Energy Security and Net Zero. Alistair is also a non-executive director of Calisen plc, a smart metering infrastructure owner, a strategic adviser for Oxera and a strategic advisory committee member of the Transition Finance Council.

Tony Bickerstaff

Tony was appointed as an Independent Non-Executive Director in June 2025 and Chair of the Audit and Risk Committee in October 2025. Tony has had a successful executive and non-executive career and is an experienced finance professional with commercial, strategic and financial expertise across the infrastructure, energy, utilities, transportation and logistics sectors. Tony also has significant experience of working with the Government in infrastructure investment and low-carbon energy generation.

Between February 2022 and September 2024, Tony was the Chief Financial Officer of Cadent Gas Limited, the UK's largest gas distribution network. Between 2006 and 2020, Tony was the Chief Financial Officer of Costain Group plc, the FTSE All-Share infrastructure solutions company and he has also held a number of senior management and financial positions at Taylor Woodrow. He has also served as a non-executive director and Chair of the audit and risk committee at Wincanton plc.

Tony is a fellow of the Association of Chartered Certified Accountants (ACCA).

Tony is currently a non-executive director of Pantheon Infrastructure Plc and Non-Executive Chair of Low Carbon Contracts Company Limited and Electricity Settlements Company Limited.

Additional Non-Executive Directors (Directors of Anglian Water only)

John Barry

John Barry was appointed as a Non-Executive Director in November 2020. John is a chartered accountant and serves on a number of boards in the infrastructure sector. He started his career at Ernst & Young, spending seven years there specialising in mergers and acquisitions and private equity transactions. He then worked at 3i Group for 12 years, firstly in private equity and then as a founding member and director of 3i Infrastructure. Thereafter he was managing director of First Reserve, where he was one of the founders of its global energy infrastructure business. During his time at First Reserve, he oversaw numerous investments into the energy sector, including energy from waste, wind and solar power plants, gas-fired power plants, utilities and oil and gas midstream, as well as energy backup. John holds a BSc (Hons) in Physics from the University of Southampton.

John has been a director of Anglian Water Group Limited since February 2018.

John is Non-Executive Chairman of Cory Group, where he also chairs the remuneration and developments committees. He is a non-executive director and Chair of the Audit and Risk Committee of North Sea Midstream Partners and an independent member of the Investment Committee for SUSI Energy Transition Fund as well as for the MML Capital Keystone Infrastructure Fund.

James Adam

James Adam was appointed as a Non-Executive Director in September 2026. James is a Senior Managing Director at Ontario Teachers' Pension Plan (OTPP). James joined OTPP in 2006, and is a member of the Europe, Middle East and Africa Infrastructure team. He has been involved in numerous transactions, including the acquisitions of Essbio, Brussels Airport, Copenhagen Airports, Sydney Desalination Plant, London City Airport, Westerleigh Group, Caruna and Anglian Water.

James has BA (Honours) in Political Science from Western University and an MBA from the Richard Ivey School of Business at Western University. He is a Chartered Financial Analyst and a graduate of the Institute of Corporate Directors.

James is a director of Anglian Water Group Limited.

James is also a director of Westerleigh Group, Caruna and Scotia Gas Networks.

Batiste Ogier

Batiste Ogier was appointed as a Non-Executive Director in November 2021. Batiste is a Managing Director at CPP Investments, where he leads the European infrastructure investments team, with responsibility for total investments of over £10 billion. CPP Investments is one of the largest direct investors in infrastructure assets globally. Prior to joining CPP Investments in 2019, Batiste was an Investment Director at First State Investments' European Infrastructure team. Over his 20-plus year career in infrastructure, Batiste has made and overseen multiple investments across water, energy, transport, digital and the circular economy.

Batiste studied at Kings College London, LSE and Sciences-Po Paris. He is a Fellow Chartered Accountant (ICAEW), qualifying with KPMG in 2007.

Batiste is a director of Anglian Water Group Limited.

Batiste is a director of FCC Env Midco, S.A., FCC Servicios Medio Ambiente Holding, S.A.U. in Spain and Fibercop S.A. in Italy. He is also a voting member of CPP Investments' global infrastructure investments committee.

Albena Vassileva

Albena Vassileva was appointed as a Non-Executive Director in January 2024.

Albena is an executive director at the Infrastructure Investment team of IFM Investors. At IFM, Albena is responsible for the sourcing, execution and management of infrastructure investments across Europe, as well as the development of key industrial relationships and energy transition initiatives. At IFM, Albena has served on the board of Veolia Poland Group companies and serves as Chair of IFM Investors Netherlands BV.

Before joining IFM, Albena led the mergers and acquisitions advisory team for energy at ABN AMRO Bank. Prior to that, she was a managing director at Advent International - one of the largest global investment funds, and senior investment manager with ABN AMRO Capital. Throughout her investment career, Albena has served as a non-executive director on multiple boards and board committees in a range of industries and geographies.

Albena is a director of Anglian Water Group Limited.

The following individuals are Directors of the Issuer, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited:

Fraser Campbell

Fraser Campbell joined Anglian Water in October 2022, and is Group Director of Treasury, Corporate Finance and Investor Relations. Fraser has responsibility for all external finance and treasury activities of the group, including raising group debt, debt and bank investor relations, and liaising with the rating agencies. Prior to Anglian, Fraser was Group Treasurer at the cruise company P&O Princess, the mobile operator O2, engineering company GKN, and the Japan based car component company Calsonic Kansai, which was spun out of Nissan. Fraser led the €700m Anglian Water bond raising in the sterling markets in June 2026.

Fraser also has responsibility, on behalf of the company, for the asset and liability management of the company's £1bn+ pension fund. He is a Fellow of the Association of Corporate Treasurers.

Andy Hodson

Andy Hodson became Deputy Treasurer at Anglian Water Group in April 2023. He has worked in several Treasury roles for the Anglian Water Group for 14 years.

Andy has day to day responsibility for raising group debt, risk management activities including exposures to interest rates, inflation and commodities, and liaison with the credit rating agencies. Andy acts on behalf of the company for its £1bn+ pension fund providing risk management and treasury expertise.

Corporate Governance

Anglian Water's primary objects are to carry on the business of a water and water recycling undertaker and to act as a Holding Company.

Anglian Water's independence from its ultimate Holding Company, AWGL, is enhanced by the inclusion of the following provisions in Anglian Water's Articles of Association:

- the composition of the board of directors of Anglian Water will include a minimum number of three non-executive directors who are not directors of any company in the Anglian Water Group (outside of the Anglian Water Services Financing Group) and who are not employees of any company in the Anglian Water Group; and
- any Anglian Water director who serves on any boards of directors within the Anglian Water Group will be disqualified from voting in respect of any contracts, transactions and arrangements between Anglian Water and any other company

in the Anglian Water Group (or any subsidiary of it) in which he is interested by virtue of being a director of that other company (save for any contracts, transactions and arrangements between Anglian Water and the companies in the Anglian Water Services Financing Group).

Equivalent provisions are included in the articles of association of the Issuer, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited. Subject to the above provisions relating to the composition of the Anglian Water Board, AWGL, as ultimate holding company, may appoint non-executive directors to the Board of Anglian Water and of the other companies in the Anglian Water Services Financing Group. All directors are entitled to vote on the matter of dividends and distributions to members.

As a private limited company with no listed equity, Anglian Water is not required to comply with the UK Corporate Governance Code (the "**Code**"). However, under the terms of its Licence, it is required to conduct its regulated business as if it were substantially the company's sole business and Anglian Water was a separate public limited company.

Anglian Water is committed to the highest standards of corporate governance. The Anglian Water Services Limited Corporate Governance Code 2025 (the "**2025 Code**") came into effect on 1 April 2025 and incorporates new requirements of the 2024 UK Corporate Governance Code (the "**2024 UK Code**") along with Ofwat's Board, Leadership, Transparency and Governance Principles and supporting provisions. Provision 4.6 on risk management and internal controls (in line with Provision 29 of the 2024 UK Code) applies to Anglian Water from 1 April 2026. The Company anticipates reporting in full against this provision in next year's annual integrated report. Only the parts of the 2024 UK Code that cannot sensibly be applied to a company in private ownership have been omitted.

Anglian Water established an Audit Committee in 2002. In August 2024, the Audit Committee's terms of reference were amended by Anglian Water, and it became the Audit and Risk Committee. The purpose of the Audit and Risk Committee is to assist the Board to effectively discharge its duties and responsibilities in respect of financial reporting of a statutory and regulatory nature, internal controls, risk management, and the application of appropriate accounting policies and practices. The membership of the Audit and Risk Committee comprises three Independent Non-Executive Directors.

In July 2013 Anglian Water also established Remuneration and Nomination committees. The Remuneration Committee is responsible for setting remuneration policy and practices for all Executive Directors in respect of remuneration paid by Anglian Water. Executive remuneration is aligned to Anglian Water's purpose and values. The Nomination Committee advises the Anglian Water Board in relation to the appointment of executive and independent non-executive directors and monitors the balance of skills, experience and knowledge on the Anglian Water Board and makes recommendations accordingly. The Nomination Committee also considers succession planning for directors and other senior executives. The membership of both the Remuneration and Nomination Committees comprises Independent Non-Executive Directors and Directors who represent Anglian Water's ultimate investors with Independent Non-Executive Directors being the majority on both committees.

In July 2025, Anglian Water established a Regulatory Compliance Committee that supports the Board by providing leadership, assurance and oversight of the Company's compliance with key regulatory requirements and regulatory risk areas

Copies of the terms of reference of all of the Board Committees are available on the Anglian Water website www.anglianwater.co.uk (which does not form part of this Prospectus).

Anglian Water has established management systems to ensure compliance with health and safety and environmental regulations in respect of water quality and wastewater disposal. Anglian Water is also subject to the provisions of the Companies Act 2006.

The Annual Report and Accounts is an integrated report which reports on all Anglian Water's sustainable activities.

See Chapter 3, "*Ring-fencing and the Anglian Water Services Financing Group - Sustainability*".

Directors' Interests

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

Subsidiaries

At the date of this Prospectus Anglian Water has no subsidiaries other than the Issuer.

5.2.2 The Issuer

The Issuer was incorporated and registered in England and Wales under the Companies Act 1985 with limited liability as Precis (2157) Limited, a private limited company, on 28 November 2001 with registered number 4330322 (LEI: 213800DL377MH46PDY63). On 10 January 2002, it changed its name to Anglian Water Services Financing Limited. It was re-registered as a public limited company on 7 March 2002. The registered office of the Issuer is at Lancaster House, Lancaster Way Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU; its telephone number is 01480 323 000. The website of the Issuer is *www.anglianwater.co.uk* but information on the website does not form part of this Prospectus unless it has been explicitly incorporated by reference into this Prospectus.

The Issuer is a wholly-owned direct subsidiary of Anglian Water and an indirect subsidiary of AWGL. As at 31 March 2026, the issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,998 of which have been issued quarter paid-up and two of which are fully paid-up. The Issuer has no subsidiaries.

Directors and Company Secretaries of the Issuer

The directors of the Issuer are Sir Ian Cheshire, Mark Thurston, Michael Bradley, Tony Bickerstaff, Fraser Campbell, Kath Durrant, Ian Funnell, Andy Hodson and Alistair Phillips-Davies, and their principal activities are described in Chapter 5.2.1, *"Anglian Water Incorporation, Board of Directors and Corporate Governance"*.

There are no potential 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 Lancaster House, Lancaster Way Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

The company secretary of the Issuer is Celia Gough.

In accordance with Article 41.6(c) of Directive 2006/43/EC of the European Parliament and of the Council and any relevant implementing measures of the United Kingdom, the Issuer does not consider it appropriate to have either an audit committee or an administrative or supervisory body entrusted to carry out the functions of an audit committee, because the Issuer's principal business consists of the issue of the Bonds and the application of principal, interest and other amounts received from or in connection with Anglian Water towards making payments of principal and interest on the Bonds and paying certain fees, expenses and other related amounts and as such, the Issuer is not conducting an operating business.

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 Anglian Water. It is intended to conduct all future financing activities (save for financing lease arrangements) for the Anglian Water Services Financing Group through the Issuer. The Issuer has issued various series of Bonds. The Issuer has entered into: (i) the Class A Debt Service Reserve Liquidity Facility Agreements to enable it to borrow monies in order to fund liquidity shortfalls in respect of Bonds and certain other financial indebtedness of the Issuer; (ii) the Liquidity Facility Guarantees to enable it to borrow monies in order to fund liquidity shortfalls in respect of payment obligations in relation to the Class A Debt; (iii) Hedging Agreements in accordance with the Hedging Policy; (iv) the O&M Reserve Facility Agreement; and (v) any other documents incidental to the Programme. See Chapter 6, *"Financing Structure"*.

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

The Issuer appointed Deloitte LLP as its external auditor with effect from 1 September 2016.

5.2.3 Anglian Water Services Holdings Limited

Anglian Water Services Holdings Limited was incorporated in England and Wales under the Companies Act 1985 as a limited liability company on 28 November 2001 under the name of Precis (2158) Limited, with registered number 4330144. It changed its name to Anglian Water Services Holdings Limited on 10 January 2002. The registered office of Anglian Water Services Holdings Limited is at Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU; its telephone number is 01480 323 000.

Anglian Water Services Holdings Limited is a wholly-owned direct subsidiary of AWG Group Limited and an indirect subsidiary of AWGL. Its issued share capital is £6 divided into 6 ordinary shares of £1 each, which have been issued to AWG Group Ltd and are fully paid-up.

Directors and Company Secretaries of Anglian Water Services Holdings Limited

The directors of Anglian Water Services Holdings Limited are Sir Ian Cheshire, Mark Thurston, Michael Bradley, Tony Bickerstaff, Fraser Campbell, Kath Durrant, Ian Funnell, Andy Hodson and Alistair Phillips-Davies and their principal activities are

described in Chapter 5.2.1, *"Anglian Water Incorporation, Board of Directors and Corporate Governance"*.

There are no potential conflicts of interest between any duties to Anglian Water Services Holdings Limited of its directors and their private interests or duties.

The business address of the directors of Anglian Water Services Holdings Limited is Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

The company secretary of Anglian Water Services Holdings Limited is Celia Gough.

The Activities of Anglian Water Services Holdings Limited

Anglian Water Services Holdings Limited has no employees nor does it own any physical assets other than its shares in Anglian Water Services UK Parent Co Limited. Administration and treasury functions are conducted on its behalf by Anglian Water.

The principal activity of Anglian Water Services Holdings Limited is to hold the shares of Anglian Water Services UK Parent Co Limited and to enter into documents incidental to the Programme. Anglian Water Services Holdings Limited has no direct subsidiaries other than Anglian Water Services UK Parent Co Limited.

Anglian Water Services Holdings Limited is empowered under its memorandum and articles of association to enter into the proposed transaction documents to which it is a party and its Directors have authority under Anglian Water Services Holdings Limited's articles of association to exercise that power on its behalf.

The activities of Anglian Water Services Holdings Limited are restricted in the Common Terms Agreement. See Chapter 6.5.5, *"Financing Structure — Common Terms Agreement — Covenants — General"*.

Anglian Water Services Holdings Limited appointed Deloitte LLP as its external auditor with effect from 1 September 2016.

5.2.4 Anglian Water Services UK Parent Co Limited

Anglian Water Services UK Parent Co Limited was incorporated in England and Wales under the Companies Act 2006 as a private limited company on 5 April 2018, with registered number 11294507. The registered office of Anglian Water Services UK Parent Co Limited is at Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU; its telephone number is 01480 323 000.

Anglian Water Services UK Parent Co Limited is a wholly-owned direct subsidiary of Anglian Water Services Holdings Limited and an indirect subsidiary of AWGL. Its issued share capital is £322,000,004 divided into 322,000,004 ordinary shares of £1 each, which are held by Anglian Water Services Holdings Limited and are fully paid-up.

Directors and Company Secretaries of Anglian Water Services UK Parent Co Limited

The directors of Anglian Water Services UK Parent Co Limited are Sir Ian Cheshire, Mark Thurston, Michael Bradley, Tony Bickerstaff, Fraser Campbell, Kath Durrant, Ian Funnell, Andy Hodson and Alistair Phillips-Davies and their principal activities are described in Chapter 5.2.1 *"Anglian Water Incorporation, Board of Directors and Corporate Governance"*. The business address of the directors of Anglian Water

Services UK Parent Co Limited is Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE29 6XU.

There are no potential conflicts of interest between any duties to Anglian Water Services UK Parent Co Limited of its directors and their private interests or duties.

The company secretary of Anglian Water Services UK Parent Co Limited is Celia Gough.

The Activities of Anglian Water Services UK Parent Co Limited

Anglian Water Services UK Parent Co Limited has no employees nor does it own any physical assets other than its shares in Anglian Water. Administration and treasury functions are conducted on its behalf by Anglian Water.

The principal activity of Anglian Water Services UK Parent Co Limited is to hold the shares of Anglian Water and to enter into documents incidental to the Programme. Anglian Water Services UK Parent Co Limited has no direct subsidiaries other than Anglian Water.

Anglian Water Services UK Parent Co Limited is empowered under its articles of association to enter into the proposed transaction documents to which it is a party and its Directors have authority under Anglian Water Services UK Parent Co Limited's articles of association to exercise that power on its behalf.

The activities of Anglian Water Services UK Parent Co Limited are restricted in the Common Terms Agreement. See Chapter 6.5.5, *"Financing Structure — Common Terms Agreement — Covenants — General"*.

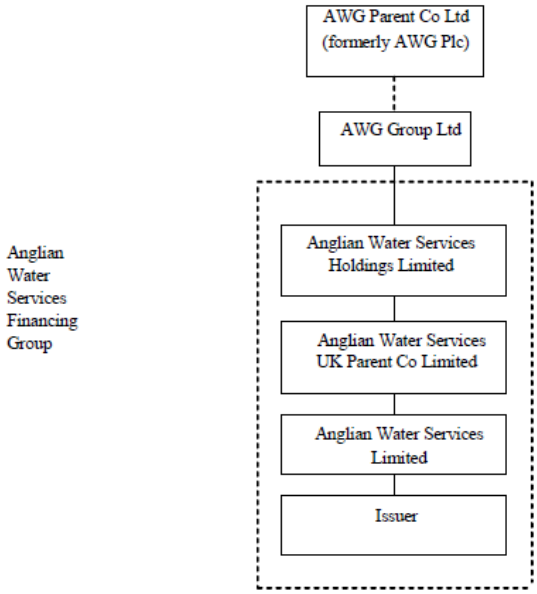
Anglian Water Services UK Parent Co Limited appointed Deloitte LLP as its external auditor with effect from 14 June 2018.

CHAPTER 6
FINANCING STRUCTURE

6.1 The Anglian Water Services Financing Group

The Anglian Water Services Financing Group consists of Anglian Water Services Holdings Limited, Anglian Water Services Holdings Limited's wholly-owned subsidiary, Anglian Water Services UK Parent Co Limited, Anglian Water Services UK Parent Co Limited's wholly-owned subsidiary, Anglian Water and Anglian Water's wholly-owned subsidiary, Anglian Water Services Financing Plc (see diagram, *"Ownership Structure of Anglian Water Services Financing Group"* below).

Ownership Structure of Anglian Water Services Financing Group



6.2 Sources of Funds and Debt Transfer

6.2.1 Sources of Funds

At the date of this Prospectus, the Issuer has available to it financial accommodation from the following sources:

(i) the Bonds issued for cash;

(ii) the Authorised Loan Facilities;

(iii) the Hedging Agreements;

(iv) the Debt Service Reserve Liquidity Facilities; and

(v) the O&M Reserve Facility.

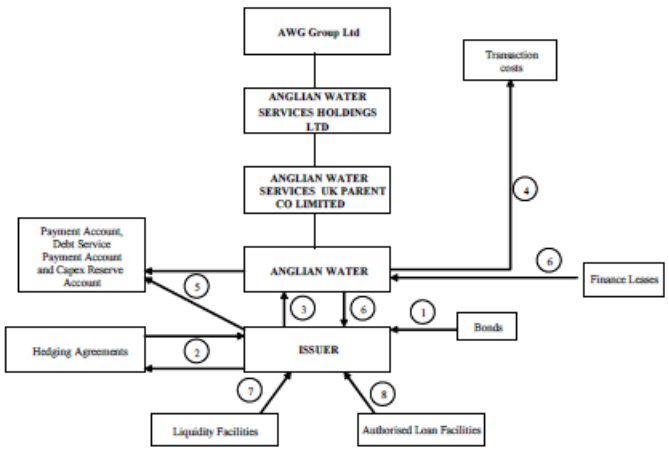
The Issuer is also permitted, subject to the terms of the Common Terms Agreement and the Class B Debt Incurrence Restriction, to incur additional Permitted Financial Indebtedness including issuing Bonds under the Programme and such additional Permitted Financial Indebtedness may be secured Class A Debt (provided the lender accedes to the CTA and STID). The Issuer may also (subject to the terms of the CTA) enter into certain unsecured financing arrangements.

All monies borrowed by the Issuer have been, and will be, automatically on-lent to Anglian Water under the Intercompany Loan Arrangements (see Chapter 6.4, *"Intercompany Loan Arrangements"*). The Intercompany Loan Arrangements provide for payments to become due from Anglian Water to the Issuer on dates and in amounts that match the obligations of the Issuer to its various financiers under its financial arrangements plus a management fee. To further reinforce the ability of the income of Anglian Water to be utilised in repayment of the Issuer's debt, Anglian Water has guaranteed the obligations of the Issuer to the Secured Creditors and has executed a Security Agreement in favour of the Security Trustee to secure its obligations under that guarantee (see Chapter 6.7, *"Security Agreement"*).

The financial accommodation available to the Anglian Water Services Financing Group also includes Finance Leases which are available to Anglian Water. The purpose of the guarantee referred to above and the provisions of the STID are, *inter alia*, to prevent any structural subordination of other Secured Creditors to the Finance Lessors that may otherwise result.

Hedging arrangements have been entered into by the Issuer and the effect of these are passed on to Anglian Water via the Intercompany Loan Arrangements (see Chapter 6.4, *"Intercompany Loan Arrangements"*).

6.2.2 Cashflow and Debt Structure on an Issue Date



Notes:

The steps described below explain the cashflow and debt structure of the Anglian Water Services Financing Group on an Issue Date. The numbers relate to the diagram above and indicate where in the transaction structure each step occurs:

(1) the Issuer, on the relevant Issue Date, issues new Bonds for cash to investors and receives the net proceeds arising out of the sale of such new Bonds;

(2) if any of the net proceeds are received in a currency other than Sterling, the Issuer will swap them with one or more Hedging Counterparties under the relevant Hedging Agreements, which the Issuer will have entered into prior to the Issue Date;

(3) the Issuer will then loan the proceeds from the sale of the Bonds to Anglian Water under the pre-existing Issuer/Anglian Water Loan Agreement;

(4) the Issuer will also then pay the relevant fees and other costs associated with the issue of the new Bonds to its advisers and service providers;

(5) funds are paid into the Payment Account and Capex Reserve Account of Anglian Water and the Debt Service Payment Account of the Issuer in order to provide the Anglian Water Group with the capital it requires to operate its business, and to provide the Issuer with funds to pay the investors;

(6) although the Issuer has on lent the proceeds of the Issue of Bonds to Anglian Water, the Finance Leases will remain with Anglian Water subject to the provisions of the CTA and the STID;

(7) in order to ensure the liquidity of the Issuer, debt service reserve liquidity facilities and an operating and maintenance reserve facility will be made available to the Issuer for the purposes of servicing any debts as they fall due and for covering certain operating and maintenance expenditure requirements; and

(8) additionally, authorised loan facilities will be made available to the Issuer for working capital and/or any capital expenditure requirements.

6.3 Security Trust and Intercreditor Deed

6.3.1 General

The intercreditor arrangements in respect of the Anglian Water Services Financing Group (the "**Intercreditor Arrangements**") are contained in the STID and the CTA. The Intercreditor Arrangements bind each of the Secured Creditors and each of the Issuer and the other Obligors.

The Secured Creditors include the Class A Debt Providers. Any new Authorised Credit Provider (or in respect of Bondholders (other than holders of the USPP 2001 Bonds), the Bond Trustee) is required to accede to the STID and the CTA as a Class A Debt Provider.

Unsecured creditors have not and 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 debt is restricted to levels acceptable to the Secured Creditors. See Chapter 6.5, "*Common Terms Agreement*".

The purpose of the Intercreditor Arrangements is to regulate, *inter alia*: (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 Chapter 6.3.13, "*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 provide for the ranking in point of payment of the claims of the Secured Creditors and for the subordination of all intra Anglian Water Services Financing Group claims (other than claims in respect of the Intercompany Loan Arrangements).

6.3.2 Ranking of Secured Liabilities

The underlying principle of the Intercreditor Arrangements is that the Class A Debt ranks in point of payment prior to any payment in respect of the class B debt at all times

(including both prior to and during any Standstill Period, after acceleration of the Secured Liabilities and upon any enforcement of the Security).

Following the entry into the Class B Deed Poll and notwithstanding the terms and conditions of the Finance Documents, the Class B Bonds are subject to Class B Debt Incurrence Restriction and, by way of a separate Extraordinary Resolution for each Series of the Class B Bonds, the relevant Bondholders consented to the re-designation of their Bonds from Class B Bonds to Class A Bonds (the "**Class B Redesignation Approval**") such that they benefit from enhanced seniority in the payment priorities under the Financing Platform; ranking *pari passu* with other Class A Debt; having the same voting rights as existing holders of Class A Bonds; and achieve alignment of ratings to the existing Class A Bonds. As a result, the Issuer only has, and may only issue, Class A Bonds.

6.3.3 Modifications, Consents and Waivers

Subject to the Entrenched Rights and Reserved Matters (see Chapter 6.3.14, "*Entrenched Rights and Reserved Matters*"), 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. Not all proposals which require the consent of the Majority Creditors will be sent to all Secured Creditors (or their Secured Creditor Representatives, as the case may be). In certain circumstances, the Security Trustee is authorised to consult with the DIG Representatives only.

Subject to the Entrenched Rights and Reserved Matters (see Chapter 6.3.14, "*Entrenched Rights and Reserved Matters*"), the Security Trustee may make modifications to the Finance Documents without the consent of any other Secured Creditor if:

(a) such modifications are to correct manifest errors or are of a formal, minor, or technical nature; or

(b) such modifications are in respect of an Authorised Credit Facility, Finance Lease, or a Hedging Agreement where:

  (i) the relevant contracting Secured Creditors (other than the Security Trustee) have provided written consent;

  (ii) the relevant Authorised Credit Facility, Finance Lease or Hedging Agreement shall continue to qualify as Permitted Financial Indebtedness after the modifications;

  (iii) the modifications will not impose additional obligations on the Security Trustee and the non-contracting Secured Creditors, will not breach any provisions of the Transaction Documents and (in AWS's reasonable opinion) will not constitute an Entrenched Right or a Reserved Matter; and

  (iv) the modifications shall be without prejudice to the rights of the Secured Creditors (other than the contracting Secured Creditors) under the Transaction Documents.

6.3.4 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, only the Qualifying Class A Debt Providers will be eligible to exercise the rights of the Majority Creditors. Prior to repayment in full of the Class A Debt, decisions of such Majority Creditors will bind all of the Secured Creditors in all circumstances, save for certain Entrenched Rights and Reserved Matters that are fundamental to particular Secured Creditors (see Chapter 6.3.14, "*Entrenched Rights and Reserved Matters*" below).

The Qualifying Class A Debt Providers will exercise their rights through the following representatives which will together be entitled to vote on certain proposals as part of the "**Class A Debt Instructing Group**" or the "**Class A DIG**". The Class A DIG will be comprised of the following representatives (each, a "**Class A DIG Representative**"):

(i) in respect of each Series of Class A Wrapped Bonds (if no FG Event of Default has occurred and is continuing), the Financial Guarantor;

(ii) in respect of each Series of Class A Wrapped Bonds (after an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Class A Wrapped Bonds) and each Series of Class A Unwrapped Bonds (other than USPP Bonds), the Bond Trustee;

(iii) in respect of Class A USPP Bonds, (a) prior to the occurrence of an Event of Default, any USPP Bondholder who has outstanding to it or any of its affiliates more than US$70,000,000 of Class A USPP Bonds or (b) after an Event of Default has occurred and is continuing, any USPP Bondholder;

(iv) in respect of the Barclays Authorised Loan Agreement, Barclays Bank PLC;

(v) in respect of the New Finance Lease, the New Finance Lessor;

(vi) in respect of the EIB Authorised Loan Facility the European Investment Bank; and

(vii) in respect of any other Secured Liabilities of the type referred to in paragraphs (i) to (vi) 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 to the STID and the CTA, or, in relation to existing Secured Creditors, in the relevant Additional Finance Document Memorandum, as the Class A DIG Representative.

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

Unless a Default Situation has occurred and is continuing, the Bond Trustee shall not be entitled to convene a meeting of any Series of Bonds to consider any proposal to be voted on by the Class A DIG.

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). Subject to Entrenched Rights and Reserved Matters, the Security Trustee will be entitled to act on the instructions of the Majority Creditors of those Class A DIG Representatives which have actually voted by the specified date for voting which must be not less than 10 business days (or, in certain circumstances, five business days) (or, where the Bond Trustee is a DIG Representative and a Default Situation is continuing (subject to the Emergency Instruction Procedure — see Chapter 6.3.9, "*Emergency Instruction Procedure*" below), such later date (not later than two months after such date) as is requested of the Security Trustee by the Bond Trustee should the Bond Trustee consider it necessary to convene a meeting of any one or more Series of Bondholders to seek directions) or, if earlier, as soon as Class A DIG Representatives in respect of more than 50 per cent. of the Qualifying Class A Debt have voted in favour of the relevant proposal.

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

Where the Bond Trustee acts as the DIG Representative of the Wrapped Bondholders (following the occurrence of an FG Event of Default which is continuing) and/or the Unwrapped Bondholders (other than the USPP Bondholders), the Bond Trustee may, both prior to a Default Situation and/or whilst a Default Situation is continuing, in its absolute discretion, vote on a STID Proposal or a DIG Proposal (without reference to any Bondholders) in respect of the total Outstanding Principal Amount of some or all such Series of Bonds, but shall not, prior to a Default Situation, be entitled to convene a meeting of Bondholders to seek directions.

Additionally, whilst a Default Situation is continuing, where the Bond Trustee acts as the DIG Representative in respect of the Bonds, the Bond Trustee:

(i) subject to paragraph (ii) below, may, in its absolute discretion, direct the Security Trustee in respect of the total Outstanding Principal Amount of any Series of Wrapped Bonds (following the occurrence of an FG Event of Default in respect of the Financial Guarantor of such Series of Wrapped Bonds, which is continuing) and/or Unwrapped Bonds (other than USPP Bonds); and

(ii) shall not be entitled to convene a meeting of the Bondholders to direct the Security Trustee in accordance with an extraordinary resolution of any such Series of Bonds after the presentation of a valid Emergency Instruction Notice pursuant to the terms of the STID. See Chapter 6.3.9, "*Emergency Instruction Procedure*" below.

6.3.6 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 to convene 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. 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 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Class A Debt after excluding the proportion of Qualifying Debt in respect of which the Bond Trustee is

the DIG Representative and in respect of which the Bond Trustee in its absolute discretion has not voted. The Emergency Instruction Notice must specify the emergency action which the Security Trustee is being instructed to take and must certify that in their reasonable opinion, unless such action is taken within the timeframe specified in the Emergency Instruction Notice, the interests of the EIN Signatories will be materially prejudiced.

6.3.7 Hedge Counterparties

Each Hedge Counterparty (other than Lloyds Bank Corporate Markets plc (in respect of power hedging) and Macquarie Bank Limited (in respect of all hedging) or any other power hedging counterparty) is a Secured Creditor party to the STID and each Hedging Agreement constitutes Class A Debt.

The Hedge Counterparties do not form part of the Class A DIG. However, the Hedge Counterparties (other than Macquarie Bank Limited (in respect of all hedging) or any other power hedging counterparty) will generally rank in the Payment Priorities senior to or *pari passu* with interest and principal payments on the Class A Bonds. See Chapter 6.6, "*Cash Management*" and Chapter 6.10, "*Hedging Agreements*".

The provisions of this Chapter 6 are not applicable to Lloyds Bank Corporate Markets plc (in respect of power hedging) and Macquarie Bank Limited (in respect of all hedging) who are not a party to the STID and who provide certain hedging services to the Group on an unsecured basis.

6.3.8 Liquidity Facility Providers

Each Liquidity Facility Provider is a Secured Creditor party to the STID and each Liquidity Facility Agreement constitutes Class A Debt.

The Liquidity Facility Providers do not form part of the Class A DIG. However, the Liquidity Facility Providers will rank in the Payment Priorities senior to interest and principal payments on the Class A Bonds. See Chapter 6.6, "*Cash Management*" and Chapter 6.9.3, "*The Liquidity Facilities*".

6.3.9 Finance Lessors

Each Finance Lessor is a Secured Creditor party to the STID and all amounts arising under the Finance Leases constitute Class A Debt.

The Existing Finance Lessor and the New Finance Lessor will form part of the Class A DIG. Amounts due and payable under the Finance Leases are dealt with in Chapter 6.6, "*Cash Management*" and Chapter 6.9.1, "*New Finance Lease*".

6.3.10 Standstill

The STID provides for an automatic standstill of the claims of the Secured Creditors against Anglian Water and the Issuer (the "**Standstill**") immediately following notification to the Security Trustee of an Event of Default.

The Standstill is designed to reduce or postpone the likelihood of a Special Administration Order being made against Anglian Water on the grounds of its insolvency or otherwise. Although not binding on unsecured and trade creditors and hence potentially giving such unsecured and trade creditors a position of greater

strength upon an Event of Default, it is intended to allow time for the Secured Creditors to restore the financial condition of Anglian Water.

During the Standstill Period:

(i) other than any action taken in relation to Permitted Accelerations, none of the Secured Creditors will be entitled to give any instructions to the Security Trustee to take any Enforcement Action (but without prejudice to the ability of the Secured Creditors to demand payment) in relation to the Security granted by the Issuer or Anglian Water;

(ii) the Security granted by Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited may be enforced at any time by the Security Trustee at the direction of the Majority Creditors;

(iii) save as provided in paragraphs (i) and (ii) above and other than Permitted Accelerations, no Enforcement Action may be taken;

(iv) any monies received by Anglian Water or the Issuer will be applied in accordance with the cash management provisions contained in the CTA (see Chapter 6.6, "*Cash Management*" below) and in accordance with the Payments Priorities (see Chapter 6.6.5, "*Debt Service Payment Account*" below); and

(v) the Secured Creditors will benefit from the Liquidity Facilities.

Notwithstanding the Standstill, the Secured Creditors are entitled to accelerate their claims to the extent required to apply proceeds of enforcement of the share pledges provided by Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited under the Security Documents.

The period of the Standstill (the "**Standstill Period**") will be 18 months unless the Standstill Period is extended beyond 18 months (see Chapter 6.3.14, "*Standstill Extension*" below) or any of the following occur prior to the expiry of the relevant Standstill Period:

(i) the date on which an order is made for the Special Administration of Anglian Water or any steps are taken to commence insolvency proceedings against any other Obligor other than proceedings that are commenced by the Security Trustee;

(ii) (during the first 18 months of the Standstill Period) the date on which Class A DIG Representatives in respect of 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Class A Debt vote to terminate the Standstill Period and (after the first 18 months) the date on which the Standstill Period terminates (see Chapter 6.3.14, "*Standstill Extension*" below); or

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

6.3.11 Standstill Extension

The Standstill Period shall automatically be extended beyond 18 months:

(i) 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 or during such further 120 days to terminate the Standstill Period;

(ii) following the period referred to in paragraph (i) above, for a further 60 days unless Class A DIG Representatives in respect of 33⅓ per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Class A Debt vote at any time prior to or during such further 60 days to terminate the Standstill Period;

(iii) following the period referred to in paragraph (ii) above, for a further 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 or during such further 60 days to terminate the Standstill Period; and

(iv) following the period referred to in paragraph (iii) above, for successive periods each of 60 days unless Class A DIG Representatives in respect of 10 per cent. or more of the aggregate Outstanding Principal Amount of Qualifying Class A Debt vote at any time prior to or during such further 60 days 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.

The Bond Trustee shall not 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 (a) by an Extraordinary Resolution of the relevant Series of Class A Bonds or (b) in writing by Bondholders holding not less than the Outstanding Principal Amount of the relevant Series of Class A Bonds as specified in Condition 18(a) (*Decisions of Majority Creditors*) or the equivalent condition of the relevant Existing Bonds.

6.3.12 Enforcement

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 will be applied by the Security Trustee in accordance with the Payment Priorities (see Chapter 6.6.5, "*Debt Service Payment Account*" below).

The Secured Creditors do not (with certain limited exceptions outlined in this Prospectus) have the right independently to accelerate their claims under their own facilities and agreements prior to termination of a Standstill Period. The Security Trustee will take all enforcement action and will be instructed by the Majority Creditors. Immediately upon notification to the Security Trustee of any Event of Default, the Standstill Period will commence, during which period no Secured Creditor may take any action to recover their debt or enforce the Security granted by Anglian Water or the Issuer.

6.3.13 Accession of Additional Secured Creditors

The STID requires that, to the extent that Anglian Water 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 (excluding holders of USPP 2001 Bonds)) must sign an Accession Memorandum whereby it agrees to be bound by the terms of the STID and the CTA, including those provisions which prohibit individual Secured Creditors from taking actions without the consent of the Majority Creditors.

6.3.14 Entrenched Rights and Reserved Matters

Modifications, consents, and waivers will be agreed by the Security Trustee, in accordance with votes of the Majority Creditors, subject to Entrenched Rights and Reserved Matters. Such modifications, consents and waivers will be binding on all of the Secured Creditors, subject to Entrenched Rights and Reserved Matters. No Entrenched Right or Reserved Matter will operate to override the provisions contained in the CTA which allow Anglian Water (following a Periodic Review or as a result of any material change in the regulation of the water industry in the United Kingdom) to amend any financial ratio contained within the covenants, Trigger Events or Events of Default provided that each Financial Guarantor and the Security Trustee (acting on the instructions of the Majority Creditors) agree and the Rating Requirements have been met.

Lists of Entrenched Rights and Reserved Matters are contained in Chapter 6.3.15, "*Entrenched Rights*" and Chapter 6.3.16, "*Reserved Matters*", below.

6.3.15 Entrenched Rights

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

The Entrenched Rights of the Class A Debt Providers include, subject to certain provisions of the CTA including the right to amend financial ratios following a Periodic Review or as a result of a material change in the regulation of the water industry in the United Kingdom, any proposed modification to, or consent or waiver under or in respect of the STID or any other Finance Document which:

(i) 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 thereunder or in connection therewith;

(ii) (a) would release any of the Security (unless equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the STID and the relevant Security Document or (b) would 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 change or would relate to the Payment Priorities;

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

(v) would change or would relate to (a) the definitions of "Class A DIG", "Class A DIG Representatives", "DIG Proposal", "DIG Directions Request", "Majority Creditors", "Qualifying Class A Debt" or "Voted Qualifying Class A Debt", (b) 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 (c) the percentages of Outstanding Principal Amount of Qualifying Class A Debt required to terminate a Standstill;

(vi) would delay the date fixed for payment 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 thereof or would reduce the amount 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 thereof;

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

(viii) 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;

(ix) would change or would relate to 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);

(x) would change Anglian Water's information and reporting covenants or (in respect of the USPP Bondholders only) the additional information and reporting covenants and covenants relating to inspection rights contained in the documents relating to the USPP Bonds in issue on the Effective Date;

(xi) would change the change of control undertakings;

(xii) would change or would relate to Anglian Water's negative pledge, financial indebtedness, and restricted payments covenants;

(xiii) would change or would relate to, but not waive (subject to paragraph (xiv) below), the Trigger Events, Trigger Event Consequences, Trigger Event Remedies or Events of Default;

(xiv) would result in a waiver of the credit downgrade Trigger Event (see Chapter 6.5.7(ii), "*Credit Rating Downgrade*"), a non-payment Event of Default in respect of any Obligor, Events of Default relating to financial ratios and credit rating downgrades (see Chapters 6.5.10(i), (xix) and (xx), "*Events of Default*" including their effect as a Trigger Event);

(xv) would change or would relate to the rights of the relevant Class A Debt Provider 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 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);

(xvi) would change or would relate to 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;

(xvii) would relate to a substitution of the Issuer in circumstances where the relevant USPP Bondholder has demonstrated to the satisfaction of the Security Trustee that such substitution would adversely affect the tax treatment of their holding of USPP Bonds; or

(xviii) would have the effect of changing certain notice, reporting and solicitation provisions relating to the USPP Bonds.

Notwithstanding the Entrenched Rights of the class B debt providers which are set out in the STID, as a result of the Class B Debt Incurrence Restriction and the Class B Debt Redesignation Approval, no Class B Bonds are in issue or may be issued and therefore such Entrenched Rights of the class B debt providers are no longer of relevance.

The Bond Trustee, the Security Trustee, the Financial Guarantor and the Finance Lessors 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.

6.3.16 Reserved Matters

Reserved Matters are matters which, subject to the Intercreditor Arrangements and the CTA, a Secured Creditor is free to exercise in accordance with its own facility arrangements and so are not exercisable by or by direction of the Majority Creditors.

Those Reserved Matters which the Secured Creditors reserve to themselves to decide are each and every right, power, authority, and discretion of, or exercisable by, the Secured Creditors at any time:

(i) 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 Finance Document to which it is a party (as permitted under the CTA);

(ii) to make determinations of and require the making of payments due and payable to it under the provisions of the Finance Documents (as permitted under the CTA);

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

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

(v) in the case of each Finance Lessor, to inspect the relevant Equipment, to make calculations under the financial schedules to the relevant Finance Lease (or the equivalent provisions thereunder relating to the calculation of Rental or termination sums) and to terminate the relevant Finance Lease provided such termination is a Permitted Lease Termination;

(vi) in the case of each Hedge Counterparty, to terminate the relevant Hedging Agreement provided such termination is a Permitted Hedge Termination; and

(vii) in the case of any Secured Creditor to accelerate their claims, to the extent necessary to apply proceeds of enforcement of the share pledges provided by Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited pursuant to the terms of the Security Documents.

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

Those Reserved Matters which the Bond Trustee reserves to itself are every right, power, authority and discretion of, or exercisable by, the Bond Trustee (in respect of paragraphs (xiii) to (xix) below, in relation to any Series of Class A Unwrapped Bonds (other than USPP 2001 Bonds) and (where an FG Event of Default has occurred and is continuing) Class A Wrapped Bonds), whether expressed as a right, power, authority or discretion of the Bond Trustee or obligation of any other party:

(i) to make any determination contemplated or required under the Bond Trust Deed or the relevant Existing Bond Trust Deed as to the occurrence or otherwise of an FG Event of Default, in relation to its Reserved Matters and in relation to its Entrenched Rights;

(ii) to agree to make any amendment or any waiver or consent which has the effect of resulting in or permitting any amendment to the provisions of any Bond Policy;

(iii) to make any claim under, or enforce any provision of, any Bond Policy;

(iv) which is provided for the purpose of enabling the Bond Trustee to protect its own position and interests in its personal capacity (including its own personal financial interests) or which the Bond Trustee determines to be necessary or appropriate to exercise for the protection of its own position and interests in its personal capacity;

(v) to determine amounts due in relation to and to claim under indemnities in favour of the Bond Trustee in its own capacity or for and on behalf of Bondholders under the Finance Documents;

(vi) to receive any amounts owing to it for its own account in accordance with the provisions of the Finance Documents;

(vii) to determine the amount of sums due in relation to expenses and stamp duties pursuant to the Finance Documents;

(viii) to make a claim for expenses under the Finance Documents;

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

(x) which relieves or exempts the Bond Trustee from liability and exculpates or exonerates it (including, without limitation, any right of the Bond Trustee under any of the Finance Documents to make assumptions as to, or rely on any notice, certificate or other communication confirming the existence or non-existence of any act, circumstance, or event);

(xi) against or in relation to the relevant Bondholders;

(xii) to agree any amendment to Part 2 (*Bond Trustee Reserved Matters*) of Schedule 3 of the STID;

(xiii) under the Third Schedule (*Provisions for Meetings of Bondholders*) of the Bond Trust Deed or the equivalent schedule of the relevant Existing Bond Trust Deed;

(xiv) the right to appoint a co-trustee or to retire under, as the case may be, Clause 23 (*New Bond Trustee*) and Clause 24 (*Bond Trustee's Retirement and Removal*) of the Bond Trust Deed or the equivalent clauses of the relevant Existing Bond Trust Deed;

(xv) the publication of an Interest Rate or Interest Amount, as the case may be, in accordance with Condition 6(b)(iv) (*Determination of Rate of Interest and calculation of Interest Amounts*) or the equivalent condition of the relevant Existing Bonds;

(xvi) the determination of amounts, as the case may be, in accordance with Condition 6(b)(vi) (*Determination or calculation by the Bond Trustee*) or the equivalent condition of the relevant Existing Bonds. It should be noted that Condition 6(b)(vi) (*Determination or calculation by the Bond Trustee*) has been deleted from the Terms and Conditions of the Bonds;

(xvii) the selection of an Indexation Adviser, as the case may be, in accordance with Condition 8(c)(ii)(a) (*Changes in circumstances affecting the Index (RPI)*) or the equivalent condition of the relevant Existing Bonds;

(xviii) the consideration and approval in relation to a substitute index figure, as the case may be, in accordance with Condition 8(c)(ii) or the equivalent condition of the relevant Existing Bonds;

(xix) the approval in relation to the Issuer being required to deduct or withhold amounts, as the case may be, in accordance with Condition 10 (*Taxation*);

(xx) the variation, termination, and appointment of Agents, as the case may be, in accordance with Condition 15 (*Agents*) or the equivalent condition of the relevant Existing Bonds; and

(xxi) to consent to any proposed amendment to, as the case may be, the Bond Trust Deed or the relevant Existing Bond Trust Deed, the relevant Conditions or any Finance Document to which it is a party whether such consent is sought to correct a manifest error or is of a formal, minor or technical nature (and, for the avoidance of doubt, any other matter referred to in Clause 19 (*Waiver, Authorisation and Determination*) of the Bond Trust Deed or the equivalent Clause of the relevant Existing Bond Trust Deed involving the decision of the

Bond Trustee to waive or modify any provisions of the documents referred to therein will be subject to the directions of the Majority Creditors).

Those Reserved Matters which the Financial Guarantor reserves to itself are each and every right, power, authority, and discretion of, or exercisable by, the relevant Financial Guarantor at any time in respect of the Class A Wrapped Bonds for which it has issued a Bond Policy (prior to an FG Event of Default which is continuing) in relation to:

(i) the publication of an Interest Rate or Interest Amount in accordance with Condition 6(b)(iv) or the equivalent condition of the relevant Existing Bonds;

(ii) the determination of amounts in accordance with Condition 6(b)(vi) or the equivalent condition of the relevant Existing Bonds. It should be noted that Condition 6(b)(vi) has been deleted from the Terms and Conditions of the Bonds;

(iii) the selection of an Indexation Adviser in accordance with Condition 8(c)(ii)(a) or the equivalent condition of the relevant Existing Bonds;

(iv) the consideration and approval in relation to a substitute index figure in accordance with Condition 8(c)(ii) or the equivalent condition of the relevant Existing Bonds;

(v) the approval in relation to the Issuer being required to deduct or withhold amounts in accordance with Condition 10;

(vi) the variation, termination, and appointment of Agents in accordance with Condition 15 or the equivalent condition of the relevant Existing Bonds; and

(vii) any amendment to Part 3 (*Financial Guarantor Reserved Matters*) of Schedule 3 of the STID.

Those Reserved Matters which the Security Trustee reserves to itself are each and every right, power, authority, and discretion of, or exercisable by, the Security Trustee, whether expressed as a right, power, authority or discretion of the Security Trustee or an obligation of any other party:

(i) pursuant to the STID;

(ii) to receive any sums owing to it for its own account in respect of fees, costs, charges, liabilities, damages, proceedings, claims and demands in performing its powers and exercising its discretions under the STID and any other Finance Document to which the Security Trustee is a party;

(iii) which is provided for the purpose of enabling the Security Trustee to protect its own position and interests in its personal capacity (including its own personal financial interest) or which the Security Trustee determines to be necessary or appropriate to exercise for the protection of its own position and interests in its personal capacity;

(iv) except as otherwise specifically provided herein to apply any of the sums referred to in Clause 15 (*Activities of the Security Trustee*) of the STID in accordance with such Clause;

(v) to receive notices, certificates, communications or other documents or information, to direct that such notices, certificates, communications or other documents or information must be provided (or must not be provided) to it or any other party, or, where applicable, to determine the form and content of any notice, certificate, communication, or other document;

(vi) which relieves or exempts the Security Trustee from liability or exculpates or exonerates it (including, without limitation, any right of the Security Trustee under any of the Finance Documents to make assumptions as to, or rely on any notice, certificate or other communication confirming, the existence or non-existence of any act, circumstance, or event);

(vii) to agree to any amendment to Part 1 (Security Trustee Reserved Matters) of Schedule 3 of the STID;

(viii) to determine amounts due in relation to and to claim under indemnities in favour of the Security Trustee under Clause 15.5 (*Indemnification of the Security Trustee*) or Clause 16 (*Remuneration and Indemnification of the Security Trustee*) of the STID or pursuant to any other Finance Documents;

(ix) to appoint a co-trustee or to retire under Clause 17 (*Appointment of Additional Trustees*) and Clause 19.6 (*Resignation of the Security Trustee*) of the STID; and

(x) to agree modifications 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 accordance with Clause 8.1 (*Procedures for Modifications, Consents and Waivers*) of the STID.

6.3.17 Substitution of the Issuer

The Security Trustee shall implement any STID Proposal proposing the substitution in place of the Issuer, or any substituted Issuer, as the principal debtor under the Finance Documents of any other company incorporated in any other jurisdiction meeting the criteria for such a single purpose company established from time to time by the Rating Agencies.

6.4 Intercompany Loan Arrangements

6.4.1 Anglian Water Loan Notes

The creation of the Anglian Water Services Financing Group within the Anglian Water Group facilitated the financing of Anglian Water through, inter alia, the issuance of Bonds and other financial indebtedness incurred by the Issuer. AWG Group Ltd's and/or Anglian Water's obligations under the Existing Bonds and the Transferred USPP Bonds (and the rights and obligations under Hedging Agreements hedging those Bonds) were transferred to the Issuer in return for the granting by Anglian Water of loan notes ("**Anglian Water Loan Notes**") in favour of the Issuer and the assignment to the Issuer and the amendment of certain existing intercompany loans.

Each series of bonds comprising the Existing Bonds and Transferred USPP Bonds is represented by a separate Anglian Water Loan Note. The interest rate in respect of each

such Anglian Water Loan Note is equivalent to the rate of interest on the corresponding series of bonds or, if hedged, at the hedged rate. Similarly, each Anglian Water Loan Note will be redeemed (in whole or in part) immediately prior to the date upon which any payment of principal is to be made on the corresponding series of bonds.

6.4.2 Issuer/Anglian Water Loan Agreement

The Issuer has on-lent and will on-lend an amount equal to the Sterling equivalent of the gross proceeds of issue of each Series of Bonds and each drawing or other obligation for Financial Indebtedness under each Authorised Credit Facility (as adjusted by any applicable Hedging Agreements) entered into on or after the Effective Date to Anglian Water under the terms of a loan agreement (each an "**Issuer/Anglian Water Loan Agreement**" and, together with the Anglian Water Loan Notes, the "**Intercompany Loan Arrangements**"). All advances to be made by the Issuer under the Issuer/Anglian Water Loan Agreement have been in Sterling and at rates of interest set out in the applicable Final Terms or, if hedged in accordance with the Hedging Policy (see Chapter 6.10, "*Hedging Agreements*") at the hedged rate. The repayment of each advance corresponding to a Bond issue shall be on the repayment terms of such Bonds. The Issuer charges Anglian Water an annual management fee in respect of entering into the Issuer/Anglian Water Loan Agreement.

6.4.3 Initial Advance and Further Advances

The first advance under the Issuer/Anglian Water Loan Agreement comprised an amount equal to the Sterling equivalent of the gross proceeds of the issue of Bonds under the Programme, the gross proceeds of drawings under Tranche A of the Bridging Facility and drawings under the Initial Authorised Loan Agreement on the Effective Date, after having exchanged the proceeds of each Series of Bonds denominated in a currency other than Sterling pursuant to the initial currency exchange under the Currency Hedging Agreements with the Existing Hedge Counterparties in respect of such Series of Bonds.

Further advances under the Issuer/Anglian Water Loan Agreement will, *inter alia*, comprise of amounts equal to the Sterling equivalent of the gross proceeds of the issue of Bonds under the Programme. It is the relevant advance under the Issuer/Anglian Water Loan Agreement which is the asset backing the corresponding relevant issue of Bonds. Advances under the Issuer/Anglian Water Loan Agreement along with the Transaction Documents have the characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Bonds.

6.4.4 Fees Generally

Under the terms of the Intercompany Loan Arrangements, Anglian Water is required to pay fees to the Issuer in an amount equal to all premia, fees, costs, charges, and other expenses payable by the Issuer in connection with financial accommodation provided to Anglian Water.

6.4.5 Subordinated Liabilities

All present and future liabilities payable or owing by one member of the Anglian Water Services Financing Group to another member of the Anglian Water Services Financing

Group comprise subordinated liabilities other than liabilities under the Intercompany Loan Arrangements.

6.5 Common Terms Agreement

6.5.1 General

Each of the Finance Lessors, the Hedge Counterparties, the Security Trustee, the Cash Manager, the Original Lenders, the Liquidity Facility Providers, the Authorised Credit Providers, each Obligor, the Bond Trustee, the Initial Financial Guarantor, the Registrar, the Principal Paying Agent, the Transfer Agent, the Exchange Agent, and the USPP 2001 Bondholders and others entered into a common terms agreement (the "**Common Terms Agreement**" or "**CTA**"). The Common Terms Agreement sets out the representations, covenants (positive, negative, and financial), Trigger Events and Events of Default which apply to each Authorised Credit Facility (including, for the avoidance of doubt, the Intercompany Loan Arrangements, Finance Leases, Hedging Agreements and any other document entered into in connection with an Authorised Credit Facility).

It is a term of the Common Terms Agreement that any representations, covenants (to the extent of being able to declare an Event of Default), Trigger Events and Events of Default contained in any document which are in addition to those in the Common Terms Agreement are (save for limited exceptions which, *inter alia*, include covenants relating to indemnities, covenants to pay, remuneration, costs and expenses, Permitted EIB Compulsory Prepayment Events, covenants in each Series of Bonds issued on the Effective Date, those contained in the Programme Agreement, the Bond Trust Deed, the Indemnification Deed, the Tax Deed of Covenant and the Agency Agreement to the extent such apply to any Series of Bonds, certain provisions under the Hedging Agreements, the Finance Leases and the mandatory prepayment rights and obligations under the Bridging Facility) unenforceable. The Common Terms Agreement allows Anglian Water (following a Periodic Review or any material change in the regulation of the water industry in the United Kingdom) to amend any financial ratio contained within the covenants, Trigger Events or Events of Default, provided that each Financial Guarantor and the Security Trustee (acting on the instructions of the Majority Creditors) agree and the Rating Requirement has been met.

The Common Terms Agreement also sets out the cash management arrangements to apply to Anglian Water Services Financing Group (see Chapter 6.6, "*Cash Management*" below). It is a requirement of the Common Terms Agreement that future providers of Class A Debt must also accede to the Common Terms Agreement and the STID.

A summary of the representations, covenants, Trigger Events and Events of Default included in the Common Terms Agreement is set out below.

6.5.2 Representations

On the Effective Date each Obligor made, and in respect of certain representations on each Issue Date, each Payment Date, on the day any new Authorised Credit Facility or any new Tier 1 Material Agreement is entered into and only in relation to such agreements, and on each date for payment of a Restricted Payment into the Distributions Account or Customer Payments Account or for a payment of a UK

Holdco Debt Service Distribution each Obligor will make, a number of representations in respect of itself to each Finance Party. These representations did and will (amongst others) include (subject, in some cases, to agreed exceptions and qualifications as to materiality and reservations of law) representations as to:

(i) its corporate status, power, and authority (a) to enter into and perform its obligations under the Transaction Documents and (b) to own, lease and operate its assets and to carry on its business;

(ii) its obligations under the Transaction Documents being its legal, valid, and enforceable obligations;

(iii) its entry into and performance under the Transaction Documents not conflicting with any document which is binding upon its assets, its constitutional documents, or any material applicable law;

(iv) the preparation of its financial statements in accordance with Applicable Accounting Principles;

(v) the validity and admissibility in evidence of the Finance Documents in any proceedings in the jurisdiction of its incorporation;

(vi) the Security Documents to which it is party conferring the Security Interests they purport to confer and such Security Interests not being subject to any prior or *pari passu* Security Interest (other than Permitted Security Interest);

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

(viii) no Default or Potential Trigger Event being outstanding;

(ix) the obtaining by it prior to the Effective Date of all consents and approvals necessary for the conduct of Anglian Water's business and the transactions in the Finance Documents;

(x) 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;

(xi) insurances required to be maintained under any Finance Document being in full force and effect;

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

(xiii) the ownership structure of the Anglian Water Services Financing Group;

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

(xv) under the laws of its jurisdiction of incorporation and tax residence in force on the Effective Date, it not (other than as disclosed) being required to make any deduction or withholding from any payment of interest in circumstances where, under current United Kingdom law, no United Kingdom withholding tax would be imposed on the payment;

(xvi) subject to certain reservations as to matters of law, the choice of English law being recognised and enforced in proceedings against Anglian Water Services UK Parent Co Limited;

(xvii) the claims of Secured Creditors ranking prior to the claims of its other unsecured and unsubordinated creditors;

(xviii) no Security Interest having been created, or allowed to exist, other than Permitted Security Interests and no indebtedness incurred other than Permitted Financial Indebtedness or any Permitted Volume Trading Arrangements;

(xix) the Bonds constituting (or constituting upon execution, due authentication, and delivery) legal and valid obligations binding on the Issuer and enforceable against it in accordance with its terms and constituting evidence of direct, secured and unconditional obligations of the Issuer;

(xx) no litigation or other proceedings current, or to its knowledge pending or threatened against it or its assets;

(xxi) limits on its powers not being exceeded as a result of the borrowing, leasing, granting of security or giving of guarantees contemplated by the Transaction Documents;

(xxii) compliance with environmental laws and having obtained all environmental permits necessary for conduct of its business and no environmental claim having been commenced;

(xxiii) loans not having been made to other persons other than pursuant to Finance Documents, the UK Holdco/Anglian Water Loan, Permitted Volume Trading Arrangements, and the Intercompany Loan Arrangements;

(xxiv) Treasury Transactions not having been entered into other than the Hedging Agreements entered into in accordance with the Hedging Policy and AWS Derivative Transactions entered into by AWS in accordance with the AWS Derivative Policy;

(xxv) all arrangements or contracts with any person (including Affiliates) being on an arm's length basis and on terms no less favourable to it than would reasonably be expected to be obtained in a comparable arm's length transaction with a person not being an Affiliate, unless permitted under the Finance Documents, as a result of a Permitted Emergency Action, certain disclosed transactions up to the next Periodic Review or save as disclosed in this Prospectus; and

(xxvi) on the Effective Date, no member of the Anglian Water Services Financing Group being liable in any manner in respect of any Financial Indebtedness (including by way of primary obligor, guarantor, surety or any other manner) that is not Class A Debt, the providers of which have executed the CTA and the STID, or Permitted Financial Indebtedness falling within the category listed in paragraphs (a), (b), (d) or (e) of the definition of Permitted Financial Indebtedness.

Additionally, Anglian Water (subject, in some cases, to agreed exceptions and qualifications as to materiality and reservations of law) represented:

(i) to the best of its knowledge, it has the right to use intellectual property rights necessary to conduct its Business;

(ii) to the best of its knowledge (and save as disclosed to the Security Trustee) all parties to Transaction Documents are in compliance with the Transaction Documents;

(iii) assumptions used in respect of financial ratio calculations having been made in good faith, after due and careful consideration and being consistent with Applicable Accounting Principles and Good Industry Practice;

(iv) it is not aware of any Special Administration Order having been made in respect of it; and

(v) the accuracy (in all material respects) of certain written information provided by Anglian Water and the accuracy of this Prospectus.

The representation referred to in paragraph (ii) above was made by Anglian Water on the date of the Common Terms Agreement and has been made and will be made on the date of each Investors Report, directors certificate, compliance certificate or interim compliance certificate. The representation referred to in paragraph (iv) above was made by Anglian Water on the date of the Common Terms Agreement, and, subject to minor amendments, on each date when any new Authorised Credit Facility has been or is entered into when it is generally syndicated.

Additionally, the other members of the Anglian Water Services Financing Group represented that they have not carried on any business since the date of their incorporation other than that required in connection with their formation and capitalisation and/or as envisaged by the Transaction Documents.

6.5.3 Covenants

The Common Terms Agreement contains certain covenants from each of the Obligors. A summary of the covenants which are (amongst others) included (subject, in some cases, as to agreed exceptions, *de minimis* amounts and qualifications as to materiality and reservations of law) in the Common Terms Agreement is set out below in Chapter 6.5.4, "*Information — Covenants*", Chapter 6.5.5, "*Covenants — General*" and Chapter 6.5.6, "*Financial Covenants*".

6.5.4 Information — Covenants

(i) So far as permitted by any applicable law or any binding confidentiality obligation, Anglian Water has undertaken to supply to the Security Trustee certain information such as:

(a) a copy of all information, which would reasonably be expected to be material to an Authorised Credit Provider to the Anglian Water Services Financing Group, which it supplies to the Director General;

(b) as soon as reasonably practicable after becoming aware, details of any proposed material changes to the Instrument of Appointment or any proposed changes to the constitutional documents of any member of the Anglian Water Services Financing Group;

(c) promptly upon becoming aware, details of any actual or potential enquiry, investigation or proceeding commenced by any government, court, regulatory agency, or authority, if such enquiry, investigation or proceeding would be reasonably likely to have a Material Adverse Effect;

(d) as soon as reasonably practicable after receipt, any material notice (including an enforcement notice) from any governmental authority or industry regulator (including Ofwat) received by Anglian Water;

(e) copies of all certificates and responses provided by Anglian Water or any member of the Anglian Water Services Financing Group to any industry regulator (including Ofwat) which would reasonably be expected to be material and adverse and which relates to the creditworthiness of Anglian Water or Anglian Water's ability to perform its duties under the Instrument of Appointment;

(f) copies of all reports and information provided by the operator and/or service provider to it under any Material Agreement which would be material or adverse in relation to the creditworthiness of Anglian Water or to Anglian Water's ability to perform its duties under the Instrument of Appointment, and Anglian Water shall use reasonable endeavours to procure that any such Material Agreements permit such reports and information to be disclosed to the Secured Creditors;

(g) a semi-annual Investors Report;

(h) such material information about the business and financial condition of Anglian Water as a Secured Creditor may reasonably and properly request, from time to time, on the request of the Security Trustee (as directed by such Secured Creditor); and

(i) details of any Bondholder accepting the offer of prepayment following the occurrence of an Early Redemption Event and the aggregate Early Redemption Amount payable.

(ii) Anglian Water has further agreed to provide information regarding a UK Holdco Change of Control to the Security Trustee and the Financial Guarantor as soon as it becomes aware of any such proposal and to use all reasonable endeavours to procure that the Security Trustee and such Financial Guarantor have been given a reasonable opportunity to express views on the identity and role of any such proposed new Controlling person under a UK Holdco Change of Control.

(iii) Anglian Water has further agreed to use all reasonable endeavours to supply any information due to, or requested by, the Director General within the time period provided for supply of such information. If no time period is specified, Anglian Water must provide the required information as soon as reasonably practicable. This is subject to action Anglian Water reasonably believes is consistent with prudent management as part of negotiation with the Director General.

(iv) Additionally, each Obligor has undertaken to supply to the Security Trustee:

(a) its audited financial statements and, in the case of Anglian Water, its audited consolidated financial statements, for each of its financial years

and, in the case of Anglian Water, its unaudited consolidated financial interim statements, for the first half-year of each of its financial years;

(b) copies of all material documents despatched by it to its shareholders or creditors generally;

(c) as soon as reasonably practicable after becoming aware or available, details of:

(A) any litigation or other proceedings (which alone or in aggregate could reasonably be expected to give rise to a claim against Anglian Water of £5,000,000 (indexed)), which are current, threatened or pending and would be reasonably likely, if adversely determined, to have a Material Adverse Effect;

(B) the periodic information relating to it (such as Anglian Water's annual charges scheme, a summary of Anglian Water's strategic business plan at each Periodic Review, Anglian Water's procurement plans, Anglian Water's annual drinking water quality report, Anglian Water's annual environmental report and Anglian Water's annual conservation and access report);

(C) any event which could reasonably be expected to give rise to an insurance claim in excess of £4,000,000 (indexed);

(D) any Material Entity Event (see Chapter 6.5.11, "*Material Entity Events*" below) and/or Emergency which would be reasonably likely to have a Material Adverse Effect;

(E) any non-compliance with any law or regulation which would be reasonably likely to have a Material Adverse Effect; and

(F) any other event which would be reasonably likely to have a Material Adverse Effect;

(d) such material information as is reasonably and properly requested by any Secured Creditor; and

(e) notification of any Default or Potential Trigger Event relating to it promptly upon becoming aware of its occurrence (and the steps, if any, being taken to remedy it).

(v) Additionally, each of Anglian Water and the Issuer has undertaken, *inter alia*:

(a) to supply a compliance certificate signed by two authorised signatories of the Issuer and two independent non-executive directors of Anglian Water (subject to any vacancies arising out of exceptional circumstances not in the normal course of business, in which case, the signature of only one independent non-executive director of Anglian Water will be required); such compliance certificate to be accompanied by a statement as to what the historical financial ratios which are required to be calculated under the Common Terms Agreement are, a short summary of the manner in which the historical financial ratios have been calculated and a certification of compliance in relation to projected financial ratios;

(b) to permit the Security Trustee to investigate the calculations contained in any accompanying statement to a compliance certificate and to call for other substantiating evidence if it certifies to Anglian Water or the Issuer that it has reason to believe that the historical ratios set out in the statement are incorrect or misleading or in the event that there is a deterioration in the historical ratios and will have the right to call for further information if it considers that Anglian Water can have no reasonable grounds for confirming that it is in compliance with all forward looking ratios; and

(c) to deliver to the Security Trustee promptly after any reasonable request made by the Security Trustee, a certificate signed on its behalf by two of its authorised signatories certifying that no Default or Potential Trigger Event is outstanding of which it is aware, having made all reasonable enquiries, or if it is outstanding, specifying the Default or Potential Trigger Event and the steps (if any) taken or proposed to be taken to remedy such event.

(vi) In addition, each Obligor, in respect of information delivered electronically:

(a) may deliver any information under the Common Terms Agreement to a Secured Creditor by posting it on an electronic website, provided the Obligor and the Security Trustee have designated a website and the Obligor has notified the Security Trustee and each relevant Secured Creditor of the address and password for such website; and

(b) must notify the Security Trustee if (i) the website cannot be accessed or the website or any information on it is infected for a period of 5 consecutive days, in which case the Obligor must supply the Security Trustee with all information required under the Common Terms Agreement in paper form with copies as requested by any Finance Party or (ii) if the password is changed.

6.5.5 Covenants — General

(i) Each Obligor has undertaken, *inter alia*:

(a) to do all such things as are necessary to maintain its corporate status where failure would be reasonably likely to have a Material Adverse Effect or otherwise adversely affect the Security Interests of the Secured Creditors;

(b) to comply with its cash management obligations (if any) set out in the Common Terms Agreement;

(c) to ensure that the claims of Secured Creditors against it under the Finance Documents will rank (subject to certain reservations as to matters of law) prior to or at least pari passu with the claims of all its other unsecured and unsubordinated creditors save for those whose claims are preferred solely by law;

(d) to operate and maintain, or ensure the operation and maintenance of, its business in a safe, efficient, and business-like manner and in accordance

with its memorandum and articles of association or other constitutional documents, Good Industry Practice (taking its Business as a whole), the Finance Documents and the UK Holdco/Anglian Water Loan and, in the case of Anglian Water, the Instrument of Appointment and the WIA;

(e) to comply with the terms of the Transaction Documents to which it is a party;

(f) to maintain and take all reasonable steps to enforce its rights and exercise its discretions under the Transaction Documents and Tier 2 Material Agreements in accordance with Good Industry Practice;

(g) to ensure that, save as otherwise agreed by the Security Trustee and each Financial Guarantor save for any Permitted Joint Venture, the corporate ownership structure of the Anglian Water Services Financing Group (other than the ownership or Control of Anglian Water Services Holdings Limited) remains as at the date of the Common Terms Agreement;

(h) so far as permitted by applicable law and regulatory requirements, to execute all such further documents and do all such further things as the Security Trustee (acting reasonably) may consider necessary to give effect to the Finance Documents;

(i) (A) to take all such action as the Security Trustee may reasonably require for the purpose of perfecting, protecting and preserving the rights of the Security Trustee under the Security Documents and the Security Interests under the Security Documents; (B) to take all actions as the Security Trustee may require, following the making of any acceleration, cancellation or demand under the Intercompany Loan Arrangements or the termination of, or prepayment of the rentals relative to, the leasing of the Equipment, in each case after the occurrence of a Default for facilitating the exercise of the rights of the Security Trustee under the Security Documents and/or the realisation of any Security Interests under the Security Documents; and (C) to use all reasonable endeavours to receive acknowledgments of assignment from such counterparties as the Security Trustee may nominate;

(j) not to incur any Financial Indebtedness other than Permitted Financial Indebtedness or, in the case of Anglian Water, indebtedness under Permitted Volume Trading Arrangements (Permitted Financial Indebtedness will include indebtedness incurred under the Intercompany Loan Arrangements, any Finance Document, Treasury Transactions entered into in accordance with the Hedging Policy and any further indebtedness which complies with certain conditions);

(k) not to enter into any amalgamation, demerger, merger, consolidation, or reconstruction other than (in the case of Anglian Water) a Permitted Joint Venture, or otherwise as agreed by the Security Trustee and each Financial Guarantor;

(l) not to (A) acquire or invest, other than Permitted Acquisitions, Authorised Investments and Permitted Joint Ventures; or (B) establish

any subsidiary (other than as set out in the Common Terms Agreement) or any joint venture other than a Permitted Joint Venture without the prior written consent of the Security Trustee and each Financial Guarantor;

(m) 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 except for (A) credit or indemnity provided under any Finance Document, (B) any loan made under the Intercompany Loan Arrangements, (C) any loan provided to Anglian Water subordinated to the Authorised Credit Facilities on terms acceptable to the Security Trustee, (D) any guarantee in the Finance Documents, (E) the UK Holdco/Anglian Water Loan, (F) single loans by Anglian Water to employees of less than £250,000 (indexed) or loans by Anglian Water to employees in aggregate less than £750,000 indexed; (G) other loans by Anglian Water in aggregate of less than £500,000 (indexed) not falling in (A) to (F) above and (H) in the case of Anglian Water Permitted Volume Trading Arrangements and, in each case (other than for paragraph (B) above), provided that no Default or Potential Trigger Event is continuing at the time any such credit or loan or guarantee is proposed to be made or issued;

(n) not to change its memorandum or articles of association or other constitutional documents in a way which would be reasonably likely to have a Material Adverse Effect or otherwise prejudice the Security Interests created pursuant to the Security Documents without the prior written consent of the Security Trustee;

(o) not to propose any resolution for, or agree to any material amendments to, variation, modification, waiver, suspension, revocation, or termination of any Material Agreement, save in accordance with the Outsourcing Policy, without the prior written consent of the Security Trustee;

(p) not to enter into any Treasury Transaction other than Hedging Agreements entered into in accordance with the Hedging Policy or AWS Derivative Transactions entered into by Anglian Water in accordance with the AWS Derivative Policy;

(q) except for a Permitted Tax Loss Transaction, not to enter, without the consent of the Security Trustee and each Financial Guarantor, into any arrangements with any other company or person (other than a taxation authority in respect of the taxation liabilities of such Obligor or any other Obligor) relating to tax;

(r) not to compromise or settle any claim, litigation, or arbitration without prior notification to the Security Trustee if any such compromise or settlement would be reasonably likely to have a Material Adverse Effect;

(s) (A) to promptly obtain, maintain and comply with the terms of 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, for entry into and performance of the Finance Documents, and for the leasing of the Equipment, 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, in each case where such failure would be reasonably likely to have a Material Adverse Effect;

(t) to maintain separate bank accounts;

(u) to use reasonable endeavours to comply in all material respects with all laws and regulations to which it is subject;

(v) to pay all taxes and other outgoings prior to penalties being incurred unless payment of those taxes is being contested in good faith by appropriate means which permit the deferral of payment and/or an adequate reserve has been set aside for payment of those taxes;

(w) not to create or allow to exist any Security Interest on the Equipment or any of its present or future revenues or assets other than Permitted Security Interests;

(x) not to (A): (i) sell, transfer or otherwise dispose of any of its assets on terms where it is or may be leased to or re-acquired or acquired by a member of the Anglian Water Services Financing Group other than (in the case of the Issuer or Anglian Water) pursuant to a Finance Lease; (ii) sell, transfer or otherwise dispose of any of its receivables (other than Permitted Book Debt Disposals); or (iii) purchase any asset on terms providing for a retention of title by the vendor or on conditional sale terms or on terms having a like substantive effect to any of the foregoing except for assets acquired in the ordinary course of its business carried on in the normal course, in each case, in circumstances where the transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset, or (B) enter into any such transaction in (A) above in circumstances where the transaction is not entered into primarily as a method of raising finance to the extent that the consideration in respect of such sales, leases, transfers or disposals is not received in cash payable in full at the time or exceeds an amount of 0.13 per cent. of RCV in aggregate at any time;

(y) not to dispose of all or any part of the Equipment or its undertaking, revenues, business, or assets other than a Permitted Disposal or Permitted Joint Venture;

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

(aa) not to: (A) redeem, repurchase, defease, retire or repay any of its share capital or resolve to do so; (B) issue any shares which by their terms are redeemable or convertible or exchangeable for Financial Indebtedness; or (C) issue any share capital to any person, other than where any such action or transaction: (i) is in furtherance of a Restricted Payment and the amount of the Restricted Payment is permitted to be paid pursuant to the Finance Documents; (ii) is expressly allowed under the Finance

Documents; or (iii) has received the prior written consent of the Security Trustee and each Financial Guarantor; and

(bb) other than as a result of Permitted Emergency Action (in which case Anglian Water shall use reasonable endeavours to ensure that all contracts entered into will be on an arm's length basis, although Anglian Water will not be required to obtain alternative competitive quotes), not to enter into any arrangement or contract with any person otherwise than on an arm's length basis save as has been disclosed or unless expressly permitted under the Finance Documents.

(ii) Additionally, each of Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited has undertaken:

(a) not to: (aa) carry on or transact any business or other activity other than (A) ownership of the shares in members of the Anglian Water Services Financing Group held by it on the Effective Date; (B) the giving of guarantees in accordance with the Finance Documents entered into by it on the Effective Date; and (C) the performance of obligations required under the UK Holdco/Anglian Water Loan or the Finance Documents; (bb) own any asset or incur any liabilities except for the purposes of carrying on that business in accordance with the Finance Documents entered into by it on the Effective Date; (cc) suspend, abandon or cease to carry on its business; (dd) declare, make or pay Restricted Payments otherwise than as permitted under the Finance Documents and the UK Holdco/Anglian Water Loan; or (ee) take any steps to enforce any claims it may have against any other Obligor without the prior written consent of the Security Trustee;

(b) not to make any Restricted Payments otherwise than out of monies received by it (directly or indirectly) from Anglian Water which have been properly paid by Anglian Water out of the Distributions Account or as set out under the Common Terms Agreement; and

(c) to make a UK Holdco Debt Service Distribution in accordance with those provisions referred to in paragraph (iv)(u)(D) below immediately once Anglian Water has made a UK Holdco Debt Service Distribution.

(iii) Anglian Water has further undertaken to maintain on its board of directors at least three non-executive directors who are not employees or directors of any Associate (subject to any vacancies arising out of exceptional circumstances).

(iv) Additionally, Anglian Water has undertaken, *inter alia*:

(a) to ensure that the nature of its business is limited to the Business;

(b) to conduct its Regulated Business in the name of Anglian Water only and to ensure that separation from the Anglian Water Group is maintained at all times by holding Anglian Water out as a separate entity, correcting any misunderstanding as to identity and using stationery, invoices and cheques separate from any other person or entity;

(c) not to permit, agree to or recommend any suspension or the abandonment of all or a material part of the operation of its Business unless such suspension or abandonment is in accordance with its Instrument of Appointment;

(d) if it exceeds the Permitted Non-Statutory Business Limits, to dispose of or reduce all or part of its Permitted Non-Statutory Business within six months so that the Permitted Non-Statutory Business Limits are complied with at the next Calculation Date;

(e) to comply in all material respects with the Instrument of Appointment;

(f) not to agree to any amendment or variation of the Instrument of Appointment which would reasonably be expected to have a Material Adverse Effect (without the prior written consent of the Security Trustee);

(g) to comply with applicable relevant environmental laws and environmental approvals applicable to it, where failure to do so would be reasonably likely to have a Material Adverse Effect;

(h) as soon as reasonably practicable upon becoming aware of the same, notify the Security Trustee of: (A) any environmental claim that is current or, to the best of its knowledge and belief, is threatened; or (B) any facts or circumstances which will or are reasonably likely to result in an environmental claim being commenced or threatened against it, which, in either case if substantiated, is reasonably likely either to have a Material Adverse Effect or result in any material liability for a Finance Party;

(i) to effect and maintain those insurances in connection with its Business as are set out in the Common Terms Agreement;

(j) to take all reasonable action to safeguard and maintain such present and future rights in accordance with intellectual property rights necessary for its Business including observing all covenants and stipulations relating thereto and obtaining all necessary registrations;

(k) (A) to comply with the Outsourcing Policy which shall become effective on and from the Effective Date and apply it to each Outsourcing Agreement and Capex Contract entered into by Anglian Water (to the extent that it is not entered into pursuant to or under an Existing Framework Agreement) on and from the Effective Date; (B) during the period from the Effective Date until the commencement of the AMP4 Period that all outsourcing is carried out in accordance with Good Industry Practice; (C) subject to (A), to procure that any Outsourcing Agreement and Capex Contract entered into on and from the Effective Date complies with the Public Procurement Rules and the Outsourcing Policy; (D) where an Emergency is continuing, to use its best endeavours to rectify such Emergency (any Permitted Emergency Action will not breach the Outsourcing Policy); (E) to procure that on the commencement of the AMP4 Period, all Existing Framework

Agreements are terminated or brought into compliance with the Outsourcing Policy; (F) not to materially alter, amend or modify any Extended Outsourcing Agreement without the consent of the Security Trustee and each Financial Guarantor; and (G) to at all times use Good Industry Practice in exercising its rights and performing its obligations under any Extended Outsourcing Agreement;

(l) to ensure it has adequate financial and management resources to enable it to discharge its core obligations under the Instrument of Appointment and under the Transaction Documents and, in respect of performance obligations which are either passed on to a Contractor or a Permitted Joint Venture or outsourced, it has retained sufficient control to discharge its obligations under the Instrument of Appointment and under the Transaction Documents;

(m) following receipt of notice of termination of the Instrument of Appointment, Anglian Water must use its reasonable endeavours to ensure that subject to its obligations under the WIA: (A) a Transfer Scheme is agreed between Anglian Water, the transferee, and the Director General by a date no less than two years prior to the expiration of such notice; and (B) any such Transfer Scheme will not be prejudicial to the interests of the Secured Creditors;

(n) to use all reasonable endeavours to ensure that the Security Trustee is joined in the consultation process with the Director General if Anglian Water becomes subject to any Transfer Scheme;

(o) subject to its obligations under the WIA, not to agree to any Transfer Scheme without the consent of the Security Trustee and each Financial Guarantor;

(p) to ensure that there are no agreements in force or corporate resolutions passed which call for the present or further issue or allotment of, or grant to any person other than Anglian Water Services UK Parent Co Limited of, the right (whether conditional or otherwise) to call for the issue or allotment of any share (or equivalent) loan note or loan capital of Anglian Water (including an option or right of pre-emption or conversion);

(q) in the event that it breaches any of its non-monetary performance obligations under the Existing Finance Lease or the New Finance Lease and such breach would be reasonably likely to have a Material Adverse Effect and has not been remedied or waived, to give notice, within 10 Business Days of becoming aware of such breach, to the Existing Finance Lessor or the New Finance Lessor, as appropriate, of such breach and prepay all applicable termination sums or rental payable under the Existing Finance Lease or the New Finance Lease, as appropriate, upon which the leasing of any and all Equipment under the Existing Finance Lease or the New Finance Lease will terminate immediately and, subject to the terms of the STID, to comply with certain clauses of the Existing Finance Lease or the New Finance Lease as if the relevant Finance Lessor

had already served notice of the termination of the leasing of the relevant Equipment on Anglian Water;

(r) in the event it breaches any of its non-monetary obligations under the Existing Finance Lease or the New Finance Lease and such breach would not be reasonably likely to have a Material Adverse Effect, to indemnify the Existing Finance Lessor or the New Finance Lessor, as appropriate, in respect of any liabilities suffered or incurred by reason of such breach and if it fails to provide such indemnification (within 60 days of receiving from the relevant Finance Lessor written notice demanding payment), to prepay all rental payments payable under the relevant Finance Lease as if such breach had had a Material Adverse Effect and paragraph (q) above applied;

(s) except for any Existing Joint Ventures and certain joint venture proposals made by Anglian Water to which both the Security Trustee gives its consent in accordance with the procedure and on the terms set out in the Common Terms Agreement (the Security Trustee's consent only to be given if it is satisfied, inter alia, that the liabilities capable of being incurred by Anglian Water as a result of the implementation of the joint venture proposal will not be materially prejudicial to the Secured Creditors and that the net disposal of any asset or right pursuant to the relative joint venture proposal and all net revenues arising from the joint venture proposal are paid to the Receipts Account) and the consent of each Financial Guarantor, not to be unreasonably withheld, has been given, not to enter into any joint venture or other arrangements with other persons whereby the losses and/or profits arising from any activity are incurred by Anglian Water or shared with that other person, save where those arrangements are permitted or contemplated by the Outsourcing Policy;

(t) to execute and do all such assurances, acts and things as the Security Trustee may request for perfecting or protecting any security intended to be created under or pursuant to the Security Documents (including, for the avoidance of doubt, any security over any assets or rights which are to form part of the property pursuant to any Permitted Joint Venture); or

(u) to only:

(A) pay Customer Rebates at a time when no Event of Default is subsisting and only to the extent it has funds available in the Customer Payment Account;

(B) pay any Distribution at a time when no Event of Default is subsisting and only to the extent it has funds available in the Distributions Account;

(C) transfer monies to the Distributions Account or Customer Payment Account at any time: (i) when no Default is subsisting and each representation which repeats is correct; (ii) after a duly constituted board meeting has been held approving the declaration

of such Distribution; (iii) during the period of 45 days after the date upon which a compliance certificate or interim compliance certificate has been delivered (and an interim compliance certificate must (if issued) be issued within 45 days after the end of any month to which an unaudited profit and loss account has been drawn and as at which an unaudited balance sheet has been produced and must be accompanied by those financial statements and must certify the financial ratios set out therein as at the most recently occurring Calculation Date up to the date of those financial statements). Further, the amount that may be transferred shall be limited to an amount equal to the aggregate balance of the Receipts Account and the Payment Account after payment of all prior amounts in accordance with the order set out in the cash management provisions of the CTA(summarised in Chapter 6.6.5, "*Cash Management — Debt Service Payment Account*" below) on the 31 March or 30 September to which that compliance certificate relates; or (in the case of a transfer within 45 days after delivery of an interim compliance certificate) the date of the accounts to which that interim compliance certificate relates, and then only provided that:

(a) on the day of such transfer no drawings are outstanding under the Liquidity Facilities, other than Standby Drawings;

(b) the transfer is to take place within 45 days after delivery to the Security Trustee of a compliance certificate;

(c) two directors of Anglian Water have certified to the Security Trustee that:

  (i) no Trigger Event is continuing unremedied;

  (ii) in respect of any Calculation Date falling prior to 31 March 2004, the Senior RAR is less than or equal to 0.86:1 and in respect of any Calculation Date falling after that date, the Senior RAR is less than or equal to 0.85:1 (in each case) for each Test Period in respect of the most recently occurring Calculation Date (after deducting the proposed payment from available cash);

  (iii) no Default persists or will result from the payment and the representations which repeat are, and will, following such payment, remain correct provided that, if such Default arises as a result of a notice to terminate the Instrument of Appointment having been served, then such Default shall be deemed to be cured if an independent financial adviser shall have certified to the Security Trustee that a Transfer

Scheme or other satisfactory security has been established that will not be materially prejudicial to the interests of Class A Debt Providers; and

(iv) to the extent that the payment is to be made to the Distributions Account to enable a Special Distribution to be made or paid, the Senior RAR and Class A RAR as adjusted to take account of that payment do not exceed levels 0.015 below those figures in paragraph (c)(ii) above (in the case of the Senior RAR) and the Trigger Event ratio level set out in paragraph (i)(b) (in the case of Class A RAR) of Chapter 6.5.7, "*Trigger Events*", respectively;

(D) make a UK Holdco Debt Service Distribution quarterly each year. It should be noted that the UK Holdco/Anglian Water Loan was repaid in full on 29 March 2018 and there is no intention to enter into any new loan in replacement of it. The terms for such a distribution would require that the following conditions are met:

(a) no Default is subsisting or will result from such payment and each representation which repeats is correct and will, following such payment, remain correct;

(b) the payment is made by way of dividend declared and paid in an amount in each Financial Year equal to such amount as will ensure that Anglian Water Services Overseas Holdings Limited receives a net amount equal to the amount that it will be required to declare and pay by way of dividend to ensure that Anglian Water Services Holdings Limited receives a net payment equal to all sums due and payable by Anglian Water Services Holdings Limited to Anglian Water under the UK Holdco/Anglian Water Loan;

(c) Anglian Water Services Overseas Holdings Limited declares, makes and pays the dividend referred to in (b) above and Anglian Water Services Holdings Limited fulfils its payment obligations then due under the UK Holdco/Anglian Water Loan on a same day basis with Anglian Water's payment referred to in (b) above;

(d) the payment is made from the Payment Account to the Account of Anglian Water Services Overseas Holdings Limited at the Account Bank in London subject to the Account Bank having received irrevocable instructions (A) from Anglian Water Services Overseas Holdings Limited to transfer such sums immediately upon receipt to the Account of Anglian Water Services Holdings Limited at the Account Bank in London; and (B) from Anglian Water

Services Holdings Limited to transfer such sums immediately upon receipt into the Account to the Payment Account; and

(e) all transfers of monies between the Accounts referred to in (d) above occur simultaneously;

(f) the criteria listed in paragraphs (A) to (C) above will also apply to payments of Subordinated Debt;

(g) to comply with the obligations to provide information under any surveillance letter with a Financial Guarantor or any Authorised Credit Facility;

(h) to ensure that a facility in an amount not less than the Maximum Early Redemption Amount to fund the payment of Early Redemption Amounts will continue to be available to be drawn by the Issuer as Permitted Financial Indebtedness under a Finance Document at all times until:

(i) the day after the last day on which the Early Redemption Event may occur; or

(ii) if the Early Redemption Event occurs, the payment of all Early Redemption Amounts;

(i) to assist with the syndication of any Authorised Credit Facility; and

(j) to ensure its pension provisions comply with certain ring-fencing requirements.

(v) Additionally, Anglian Water and the Issuer have undertaken, *inter alia*:

(a) to maintain a rating of the Class A Debt and a shadow rating of Class A Wrapped Debt with any two of the Rating Agencies;

(b) to agree to co-operate with the Rating Agencies in connection with any reasonable request for information in respect of the maintenance of a shadow rating or rating and with any review of its business which may be undertaken by one or more of the Rating Agencies after the date of the Common Terms Agreement;

(c) to ensure that there are installed and maintained accounting, management information, financial modelling and cost control systems which are of such a standard as can produce the information required within the time set out in the Finance Documents and procure that there are maintained books of account and other records adequate to reflect fairly and accurately its financial condition, the results of its operations and to provide the reports required to be delivered pursuant to the Finance Documents;

(d) to authorise the Auditors to communicate directly with the Security Trustee at such time as such parties may reasonably require (and whilst

any Default is outstanding at any time) regarding its accounts and operations and furnish to the Security Trustee a copy of such authorisation, subject to the Auditors' agreement to communicate at such time and upon agreed conditions;

(e) to inform the Security Trustee of any change to the Auditors, as soon as reasonably practicable;

(f) to only replace the Auditors without the prior written approval of the Security Trustee if the replacement Auditors are a firm of independent public accountants of international standing; and

(g) not to change its financial year end without the prior written consent of the Security Trustee such consent not to be refused if Ofwat requires the relevant financial year to be changed in which case Anglian Water will change the financial covenant calculations in such manner as the Security Trustee deems necessary to enable such calculations to continue to be calculated from the relevant financial statements of Anglian Water.

(vi) Additionally, the Issuer has undertaken, *inter alia*:

(a) not to: (A) carry on any business other than the raising of funds to provide debt financing to Anglian Water for the purposes of its Business in accordance with the Finance Documents or any Treasury Transaction in accordance with the Hedging Policy; (B) own any assets or incur any liabilities except as required or permitted pursuant to the Finance Documents; (C) suspend, abandon or cease to carry on its business; or (D) take any steps to enforce any claims it may have against any other Obligor without the prior written consent of the Security Trustee;

(b) to enter into the interest rate hedging arrangements contemplated in the Hedging Policy, in accordance with the terms of the Hedging Policy;

(c) to ensure that: (A) no more than 20 per cent. of its aggregate nominal outstanding Financial Indebtedness shall fall due for scheduled final repayment within any period of 24 consecutive months; and (B) no more than 40 per cent. (increased proportionately to the extent that the period from one Periodic Review to the next Periodic Review is greater than five years) of its aggregate nominal outstanding Class A Debt shall fall due for scheduled repayment within the period from one Periodic Review to the next Periodic Review;

(d) to use all reasonable endeavours to procure the admission of all listed Bonds for trading on the London Stock Exchange, or such other stock exchange approved by the dealers under the Programme Agreement and the Bond Trustee, and to maintain such admission until none of the relevant listed Bonds is outstanding;

(e) upon receiving a written request from the Bond Trustee, to deliver to the Bond Trustee a certificate of the Issuer setting out, inter alia, details of the aggregate principal amount outstanding under the outstanding Bonds purchased by the Issuer and as are held by any person for the benefit of

any member of the Anglian Water Services Financing Group, any Financial Guarantor or, so far as the Issuer is aware, any of their respective Affiliates, holding companies and subsidiaries;

(f) to send or procure to be sent (not less than three days prior to the date of publication) to the Bond Trustee for the Bond Trustee's approval, one copy of each notice to be given to the Bondholders in accordance with the Conditions and not to publish such notice without such approval and, upon publication, to send to the Bond Trustee two copies of such notice (such approval, unless so expressed, not to constitute approval for the purpose of section 21 of the FSMA of such notice as an investment advertisement (as therein defined));

(g) to procure that the Principal Paying Agent notifies the Bond Trustee forthwith if it does not, on or before the due date for payment in respect of the Bonds, receive unconditionally the full amount in the correct currency of the monies payable on such due date;

(h) to forthwith give notice to the Bondholders of payments made after their due date to the Principal Paying Agent, the Registrar, or the Bond Trustee;

(i) not less than the number of days specified in the relevant Conditions prior to the redemption or repayment date in respect of any Bond, to give to the Bond Trustee notice in writing of the amount of such redemption or repayment pursuant to the Conditions;

(j) prior to giving notice to the Bondholders that it intends to redeem the Bonds pursuant to Condition 9(b) (*Early Redemption for Index reasons*), 9(c) (*Redemption for tax reasons*) or 9(d) (*Redemption at the Option of the Issuer*), to provide such information to the Bond Trustee and the Financial Guarantors as the Bond Trustee and the Financial Guarantors require in order to satisfy themselves of the matters referred to in those Conditions;

(k) to promptly give notice to the Bond Trustee and to the Security Trustee: (A) if it is required by law to effect a deduction or withholding of tax in respect of any payment due in respect of any Bonds listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007; or (B) if a Hedge Counterparty is required to make a deduction or withholding of tax in respect of any payment due under the relevant Hedging Agreement; or (C) if it would not be entitled to relief for tax purposes, in any jurisdiction in which it carries on business or is resident for tax purposes, for any material amount which it is obliged to pay under the Finance Documents and which is or has been assumed in the Anglian Water Business Financial Model to be available for relief for tax purposes, and in each case, take such action as may be required by the Bond Trustee and Security Trustee in respect thereof;

(l) while any of the Bonds remain outstanding, to give notice, or procure that notice is given, to each of the Rating Agencies of: (A) any proposed

amendment to the Finance Documents other than ones that the Bond Trustee considers to be of a formal, minor or technical nature or made to correct a manifest error or necessary or desirable for clarification; (B) the Bonds of any Series 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 the appointment of any new or replacement Agents; (E) any Default; (F) the delivery of an Enforcement Notice; (G) the occurrence of any Anglian Water Change of Control; and (H) the occurrence of any UK Holdco Change of Control;

(m) to observe and comply with its obligations, and use all reasonable endeavours to procure that the Agents observe and comply with all their obligations, under the Agency Agreement and procure that the Registrar maintains the Register and notify the Bond Trustee immediately if it becomes aware of any material breach or failure by an Agent in relation to the Bonds;

(n) to give not less than 14 days' prior notice to the Bondholders of any future appointment or any resignation or removal of any Agent or of any change by any Agent of its specified office;

(o) if, before an Interest Payment Date for any Bond, it becomes subject generally to the taxing jurisdiction of any territory or any political sub-division thereof or any authority therein or thereof having power to tax other than or in addition to the United Kingdom, to notify (immediately upon becoming aware thereof) the Bond Trustee of such event and enter into a deed supplemental to the Bond Trust Deed, the Existing Bond Trust Deeds or the assumption agreement in relation to the USPP 2001 Bonds entered into on or about the Effective Date, with the substitution for (or, as the case may be, the addition to) the references therein to the United Kingdom of references to that other or additional territory to whose taxing jurisdiction, or that of a political subdivision thereof or any authority therein or thereof, the Issuer becomes subject as aforesaid, such supplemental deed also to modify Condition 9(c) or any equivalent provision of the Existing Bonds or the USPP 2001 Bonds so that such Condition shall make reference to that other or additional territory; and

(p) to notify the Bond Trustee of any amendment to the Programme Agreement and not agree to any such amendment prior to the delivery of a legal opinion to the Security Trustee if so required.

(vii) Following a STID Directions Request dated 21 July 2020 (the "**COVID-19 STID Proposal**") the Financial Guarantor and the Security Trustee consented, pursuant to limb (h) of the definition of "Permitted Financial Indebtedness" in the MDA, to the incurrence of Financial Indebtedness as follows:

(a) where a Default is continuing or will arise as a result of the incurrence of such Financial Indebtedness, the drawing in full or in part of any Liquidity Facilities;

(b) if a Trigger Event is continuing or will arise as a result of the incurrence of such Financial Indebtedness, where such Financial Indebtedness is incurred for any purpose other than the Enhancement Capex Purpose or the Refinancing Purposes (each as defined below), the drawing, in full or in part (including any rollover of existing drawings), of any revolving credit facility, overdraft facility or working capital facility which is an Authorised Credit Facility, entered into by a member of the AWS Financing Group, provided that no Event of Default is continuing or would arise as a result of such drawing;

(c) if a Trigger Event is continuing or will arise as a result of the incurrence of such Financial Indebtedness, the incurrence of Financial Indebtedness which is for the purposes of enhancement capital expenditure ("**Enhancement Capex Purpose**") but only to the extent that (1) such Financial Indebtedness is Permitted Enhancement Capex Financial Indebtedness; and (2) the Senior RAR is less than or equal to 0.835:1 for each Test Period in respect of the most recently occurring Calculation Date (after taking into account such incurrence); or

(d) if a Trigger Event is continuing or will arise as a result of the incurrence of such Financial Indebtedness, where the prior written consent of the Financial Guarantor (such consent not to be unreasonably withheld or delayed), is obtained, the incurrence of further Financial Indebtedness by the AWS Financing Group for the purpose of refinancing any Authorised Credit Facilities or any existing Financial Indebtedness that are due to expire, mature, terminate and/or be redeemed within one year from the date of such incurrence ("**Refinancing Purposes**"), provided that the incurrence of new Financial Indebtedness for Refinancing Purposes shall not exceed an amount equal to the nominal amount outstanding in respect of the Financial Indebtedness to be refinanced plus all indexation accrued but unpaid on such Financial Indebtedness which is indexed together with any interest due and unpaid,

provided that such Financial Indebtedness referred to in paragraphs (a), (b), (c) and (d) above is incurred at such time where no Event of Default or Potential Event of Default is continuing or would arise as a result of the incurrence of such Financial Indebtedness, and satisfies conditions (ii) to (v) (inclusive), (vi) (save for any requirements in respect of Class A PMICR) and (vii) of limb (g) of the definition of "Permitted Financial Indebtedness" in the MDA.

Pursuant to the COVID-19 STID Proposal, Anglian Water agreed that where any Financial Indebtedness is incurred for Refinancing Purposes pursuant to paragraph (d) above ("**Refinancing Debt**"), the net proceeds of such Refinancing Debt shall be held in cash and/or Authorised Investments until such time as they are required in order to discharge any existing Financial Indebtedness.

For these purposes, "**Permitted Enhancement Capex Financial Indebtedness**" means Financial Indebtedness incurred by the Issuer or Anglian Water for the purposes of making enhancement capital expenditure envisaged

under the applicable determination for disbursement during AMP7 (as set out in the Final Determination), as adjusted to reflect any redetermination from the Competition and Markets Authority, interim determination, or other adjustment agreed to by Ofwat or any other relevant government body and subject to any applicable judicial challenge to Anglian Water's envisaged enhancement capex expenditure during the period.

6.5.6 Financial Covenants

(i) Anglian Water has undertaken, *inter alia*:

(a) to deliver, with each compliance certificate and each Investors Report, a statement confirming that it has calculated each of the following ratios as at the Calculation Date immediately prior to the date of delivery of that compliance certificate, specifying the results of such calculations and providing a short summary of the manner in which these ratios have been calculated:

(A) a Class A ICR for each Test Period;

(B) a Senior PMICR for each Test Period;

(C) a Class A PMICR for each Test Period;

(D) a Senior Average PMICR;

(E) a Class A Average PMICR;

(F) a Senior RAR for each Test Period;

(G) a Class A RAR for each Test Period;

(H) the ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest;

(I) a Conformed Senior PMICR for each Test Period;

(J) a Conformed Class A PMICR for each Test Period;

(K) a Conformed Senior Average PMICR; and

(L) a Conformed Class A Average PMICR.

(b) at each Periodic Review and on making each Interim Determination application, to apply to the Director General for a price determination which in the reasonable opinion of the Anglian Water directors would allow, at a minimum, a credit rating in the A category to be achieved and maintained for the Class A Unwrapped Debt and a shadow rating in the A category to be achieved and maintained for the Class A Wrapped Debt, in each case such credit rating or shadow credit rating to be from at least two of the Rating Agencies;

(c) to apply to the Director General for an Interim Determination when permitted under the Instrument of Appointment (or use any other means available to apply for an Interim Determination):

(A) in all circumstances which are appropriate in accordance with Good Industry Practice;

(B) if the Class A PMICR for any Test Period up to and including the Date Prior is, or is projected to be, less than 1.3:1;

(C) if the Senior RAR for any Test Period up to and including the Date Prior is, or is projected to be, equal to or greater than 0.9:1;

(D) if an event has occurred which has caused or which is likely to cause a material reduction in its current or projected Net Cash Flow; and

(E) if the Conformed Class A PMICR for any Test Period up to and including the Date Prior is, or is projected to be, less than 1.3:1,

provided that any such application is consistent with prudent management; and

(d) to levy charges to customers which, together with other available amounts, are as far as possible sufficient, within the constraints of the current price control framework, to enable Anglian Water to meet its operational, investment and financial obligations on a timely basis under the Instrument of Appointment and its obligations in respect of Financial Indebtedness.

(ii) The Issuer has further undertaken to maintain:

(a) Debt Service Reserve Liquidity Facilities available for drawing which (when aggregated with all amounts (including the value of any Authorised Investments) standing to the credit of the Debt Service Reserve Accounts) are not less than the amount of interest (including Lease Reserve Amounts and adjusted Lease Reserve Amounts) payable on its Class A Debt for the next succeeding 12-month period; and

(b) an O&M Reserve Facility available for drawing which when aggregated with amounts standing to the credit of the O&M Reserve Account amount to not less than 10 per cent. of Projected Operating Expenditure and Capital Maintenance Expenditure for the next succeeding 12-month period as forecast in the Anglian Water Business Financial Model.

6.5.7 Trigger Events

The Common Terms Agreement also sets out certain Trigger Events. The specific Trigger Events and the consequences which flow from the occurrence of those events (the "**Trigger Event Consequences**", as described more particularly in Chapter 6.5.8, "*Trigger Event Consequences*" below) are summarised below.

The occurrence of any of the following events will be a Trigger Event:

(i) Financial Ratios

On any date when any of the following ratios are calculated in accordance with the Common Terms Agreement to breach the relevant level specified below (a

"**Trigger Event Ratio Level**") as at the most recently occurring Calculation Date:

(a) the Senior RAR for any Test Period is estimated to be more than 0.9:1;

(b) the Class A RAR for any Test Period is or is estimated to be more than 0.75:1;

(c) the Senior PMICR for any Test Period is or is estimated to be less than 1.1:1;

(d) the Class A PMICR for any Test Period is or is estimated to be less than 1.3:1;

(e) the Senior Average PMICR is or is estimated to be less than 1.2:1;

(f) the Class A Average PMICR is or is estimated to be less than 1.4:1;

(g) the Conformed Senior PMICR for any Test Period is or is estimated to be less than 1.1:1;

(h) the Conformed Class A PMICR for any Test Period is or is estimated to be less than 1.3:1;

(i) the Conformed Senior Average PMICR is or is estimated to be less than 1.2:1;

(j) the Conformed Class A Average PMICR is or is estimated to be less than 1.4:1.

(ii) Credit Rating Downgrade

Each credit rating referred to below is the "**Trigger Credit Rating**" for the relevant Class of Bonds:

(a) the shadow credit rating of any Class A Wrapped Debt given by the two Rating Agencies falls to Baa2 or BBB or below or any Obligor is placed on credit watch with negative implications and it is reasonably likely that such rating given by such Rating Agencies will fall to such levels; or

(b) the credit rating of any Class A Unwrapped Debt by the two Rating Agencies falls to Baa2 or BBB respectively or below or any Obligor is placed on credit watch with negative implications and it is reasonably likely that such rating given by such Rating Agencies will fall to such levels.

(iii) Debt Service Payment Account Shortfalls

The failure to maintain the required credit balance in the Debt Service Payment Account on the required day and within one Business Day of being notified of any shortfall.

(iv) Material Deviation in Projections

On any Calculation Date, the estimated actual capital expenditure over any five-year period between Periodic Reviews exceeds the capital expenditure for that period assumed by the Director General in the last Periodic Review (adjusted to

take account of any subsequent Interim Determination and Out-turn Inflation) in respect of Anglian Water by 10 per cent. or more.

In each case, deviations resulting from variances in real construction prices from assumed construction prices or additional capital expenditure incurred or to be incurred in respect of items for which Anglian Water is entitled to make an application for an Interim Determination shall be ignored for the purposes of determining whether the 10 per cent. threshold deviation level has been breached.

(v) Liquidity for Capital Expenditure and Working Capital

If, as at any Calculation Date, the aggregate of: (i) Anglian Water's operating cash flows including monies standing to the credit of the Payment Account and the Receipts Account available or forecast to be available to meet capital expenditure and working capital requirements for the next Test Period; (ii) Authorised Credit Facilities (excluding Liquidity Facilities) available to be drawn in the next 12 month period; and (iii) all amounts standing to the credit of the Capex Reserve Account are less than Anglian Water's (a) forecast capital expenditure projected for the next 12 month period; (b) forecast working capital requirements projected for the next 12 month period; and (c) the maximum total amount of Financial Indebtedness which is or is projected to be outstanding during the next succeeding 12 month period which falls within paragraph (d) of the definition of Permitted Financial Indebtedness.

(vi) Drawdown on Debt Service Reserve Liquidity Facilities and O&M Reserve Facility

(a) If, at any time, the aggregate of all amounts available for drawing under any Debt Service Reserve Liquidity Facility and all amounts standing to the credit of the Debt Service Reserve Accounts is less than an amount equal to the next 12 months' interest (or, in the case of the Finance Leases, Lease Reserve Amounts or adjusted Lease Reserve Amounts) payable in respect of Class A Debt (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 Debt Service Reserve Liquidity Facility).

(b) The Issuer draws down under the O&M Reserve Facility or withdraws funds from the O&M Reserve Account to pay its maintenance costs and not, in the case of the O&M Reserve Facility, just in order to fund the O&M Reserve Account.

(vii) Enforcement Order

An Enforcement Order (as defined under the WIA) is issued under Part II, Chapter 11 of the WIA against Anglian Water which would have a Material Adverse Effect if not complied with.

(viii) Circumstances leading to a Special Administration Order

Any indication arising from notices and/or correspondence issued by, or during correspondence with, the Director General or any other circumstance of which

Anglian Water is aware that would reasonably be expected to lead to an application by the Director General or the Secretary of State for a Special Administration Order to be made in respect of Anglian Water.

(ix) Termination of Instrument of Appointment

The giving of a notice to terminate the Instrument of Appointment under the WIA.

(x) Event of Default

An Event of Default is continuing.

(xi) Material Entity Event

(a) A Material Entity Event occurs: (A) in relation to a Tier 1 Material Agreement or a Contractor and/or Anglian Water under a Tier 1 Material Agreement and which continues unremedied for 60 days (or 30/45 days, if the Common Terms Agreement provides that a shorter remedy period applies) from the date from which Anglian Water could be reasonably expected to become aware of such Material Entity Event; or (B) in relation to a Tier 2 Material Agreement or a Contractor and/or Anglian Water under a Tier 2 Material Agreement which continues unremedied for six months from the date from which Anglian Water could be reasonably expected to become aware of such Material Entity Event;

(b) During the period from the Effective Date until the commencement of the AMP4 Period, a Material Entity Event occurs in respect of a Tier 1 Material Agreement pursuant to paragraph (iv), (v), (vi), (vii) or (viii) of Chapter 6.5.11, "*Material Entity Events*" which is capable of remedy and which continues unremedied for 60 days,

unless in either case, the relevant Contractor has been replaced in accordance with the Outsourcing Policy.

(xii) Referral

A referral is made under paragraph 14.3 of Condition B in Schedule 2 (*Shipwreck*) to the Instrument of Appointment (or any successor or equivalent paragraph) as a result of any adverse event.

(xiii) Audit Qualification

The Auditors qualify their report on any audited Statutory Accounts of any member of the Anglian Water Services Financing Group in a manner which causes the Security Trustee to believe that the financial ratios calculated in accordance with the Common Terms Agreement may not reflect the true position of Anglian Water.

(xiv) Adverse Governmental Legislation

The commencement of the final reading of draft legislation in the House of Lords or the House of Commons (whichever occurs later) of legislation relating to or impacting upon Relevant Undertakers (as that term is defined in the WIA) and such legislation could if enacted reasonably be expected to lead to a breach of the financial ratios referred to in paragraph (i), "*Financial Ratios*" above or cause a material deviation as

set out in paragraph (iv), "*Material Deviation in Projections*" above, in each case taking into account any actions available to Anglian Water to mitigate the same.

(xv) Modification or Replacement of Instrument of Appointment

Within three months of an announcement setting out clear proposals by Ofwat for the modifications or replacement of the Instrument of Appointment which, if implemented, could reasonably be expected to have a Material Adverse Effect and a timetable for the implementation of such proposals, Anglian Water 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.

(xvi) Conduct of Business

The Permitted Non-Statutory Business Limits are breached.

(xvii) Breach of Outsourcing Policy

Anglian Water fails duly to perform or comply with its obligations as required under the Outsourcing Policy (other than as a result of Permitted Emergency Action) and fails to remedy such breach within 90 days of Anglian Water becoming aware of such breach.

(xviii) No Rating Confirmation on Change of Control after Permitted Demerger

At any time after a Permitted Demerger a person acquires Control of Anglian Water Services Holdings Limited or there is any change in the identity of the person who Controls Anglian Water Services Holdings Limited and a Rating Confirmation on Change of Control has not been obtained in relation to that change of Control.

6.5.8 Trigger Event Consequences

Following the occurrence of a Trigger Event and at any time until such Trigger Event has been waived by the Security Trustee, remedied in accordance with Trigger Event Remedies (see Chapter 6.5.9, "*Trigger Event Remedies*" below) or otherwise remedied to the satisfaction of the Security Trustee, the provisions set out below will apply (subject as described in section 6.5.8(A) below):

(i) No Restricted Payments

No Obligor may make Restricted Payments and, in respect of Customer Rebates, if these have not yet been implemented, Anglian Water must stop their implementation and must not declare any Customer Rebates.

(ii) Further Information and Remedial Plan

(a) Anglian Water must provide such information as to the relevant Trigger Event (including its causes and effects) as may be requested by the Security Trustee.

(b) Anglian Water must discuss with the Security Trustee its plans for appropriate remedial action and the timetable for implementation of such action. Anglian Water and the Security Trustee may agree a Remedial Plan (with the agreement of the Security Trustee not to be unreasonably withheld or delayed) and any agreed Remedial Plan must then be implemented by Anglian Water.

(iii) Independent Review

(a) The Security Trustee may (acting on the instructions of the Majority Creditors) commission an Independent Review to be undertaken on the timetable stipulated by the Security Trustee. The Independent Review will be conducted by technical advisers to the Security Trustee appointed from time to time or such other person as the Security Trustee may decide.

(b) The Independent Review will examine the causes of the relevant Trigger Event and recommend appropriate corrective measures.

(c) Each of the Issuer and Anglian Water must co-operate with the person appointed to prepare the Independent Review including providing access to its books and records and personnel and facilities as may be required for those purposes.

(iv) Consultation with Ofwat

The Security Trustee shall be entitled to discuss the relevant Trigger Event and any Remedial Plans with Ofwat at any time.

(v) Appointment of Additional Non-Executive Directors

If the relevant Trigger Event has not otherwise been remedied or waived within six months from the date of its occurrence or such longer period as the Security Trustee, each Financial Guarantor and Anglian Water may agree in a Remedial Plan, the Security Trustee will be entitled to procure the appointment of additional non-executive directors to the board of Anglian Water provided that the additional non-executive directors appointed by the Security Trustee under this paragraph do not constitute a majority of the board of Anglian Water.

(vi) Appointment of Additional Directors

No Obligor may make any additional appointments to the board of any member of the Anglian Water Services Financing Group other than to replace directors upon dismissal, retirement, sudden resignation, death, or temporary vacancies unless the Security Trustee and each Financial Guarantor agrees.

In respect of any of the Trigger Event Consequences described above which requires the Security Trustee to exercise its discretion, it must do so upon instructions of the relevant Majority Creditors and any reference to reasonableness and reasonable time will be interpreted accordingly. The Security Trustee is entitled to assume that no Trigger Event has occurred unless informed otherwise.

Even if unremedied, a Trigger Event by itself will not constitute an Event of Default.

6.5.9 Trigger Event Remedies

At any time when the Issuer or Anglian Water (as the case may be) believes that a Trigger Event has been remedied by virtue of any of the following, it shall serve notice on the Security Trustee to that effect, and the Security Trustee must respond within 10 days (or such longer period as it may reasonably stipulate within five Business Days of

receipt of notice from the Issuer or Anglian Water (as the case may be) to certify that the Issuer or Anglian Water (as the case may be) believes the relevant Trigger Event to have been remedied) 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 shall continue to be a Trigger Event until such time as the Security Trustee is reasonably satisfied that the Trigger Event has been remedied).

6.5.10 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 under the Hedging Agreements). Subject, in some cases, to agreed exceptions, materiality qualifications, reservations of law and grace periods, Events of Default will include (among others):

(i) non-payment of amounts due under the Finance Documents within three Business Days of the due date;

(ii) non-compliance with other obligations under the Finance Documents;

(iii) material misrepresentation;

(iv) any Financial Indebtedness not being paid when due (after the expiry of any applicable grace period) or any Financial Indebtedness being declared due and payable prior to its specified maturity as a result of an event of default;

(v) an Insolvency Event or Insolvency Proceedings in relation to the Obligors other than Anglian Water and in relation to Anglian Water, an insolvency event or insolvency proceedings as set out further in the CTA;

(vi) Anglian Water transferring the Instrument of Appointment without the Security Trustee's consent or Anglian Water receiving notice that the Instrument of Appointment will be revoked or terminated and a scheme of transfer not being approved by the Secretary of State or the Director General on or before the date falling two years prior to the expiration of such notice;

(vii) the Instrument of Appointment being terminated and not replaced immediately by a further licence on equivalent terms taking into account any changes in the regulatory environment since the Effective Date;

(viii) insufficient liquidity (from operating cash flows, the Authorised Credit Facilities, and the Capex Reserve Account) to meet Anglian Water's forecast capital expenditure and working capital requirements projected for the next six-month period;

(ix) attachment, sequestration, distress, or execution involving sums in excess of £500,000 (indexed);

(x) it becoming unlawful for any Obligor to perform its obligations under any Finance Document;

(xi) an Anglian Water Change of Control occurs;

(xii) Security becoming invalid, unenforceable, or unlawful;

(xiii) governmental intervention or nationalisation which would be reasonably likely to have a Material Adverse Effect;

(xiv) an Obligor failing to comply with a judgment involving sums in excess of £500,000 (indexed);

(xv) other than in the case of a Permitted Lease Termination, an Obligor not having legal power to perform its obligations under the Finance Documents or any obligation of any Obligor under a relevant Finance Document (other than stamp duty indemnities) ceasing to be legal, binding, and enforceable and the absence of compliance has a Material Adverse Effect;

(xvi) Anglian Water failing to comply with its obligations under the Outsourcing Policy (and such failure has a Material Adverse Effect);

(xvii) an Obligor ceasing to carry on the Business (or any substantial part of the Business) it carries on as at the date of the Common Terms Agreement or as contemplated by the Finance Documents;

(xviii) 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;

(xix) the shadow rating of the Class A Wrapped Bonds or the rating of the Class A Unwrapped Bonds in each case ascribed by the two Rating Agencies being less than the minimum required for Investment Grade;

(xx) the Class A ICR being less than 1.6:1, the Senior RAR being more than 0.95:1 and/or the ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest is less than 1:1;

(xxi) an Obligor amending its memorandum or articles of association (and, in the case of any amendment to Anglian Water's memorandum or articles, in a manner which is reasonably likely to have a Material Adverse Effect or diminish the Security Interest granted in favour of the Security Trustee); and

(xxii) a Material Entity Event (as described in Chapter 6.5.11 "*Material Entity Events*" below) occurring which has a Material Adverse Effect.

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 Chapter 6.3.18, "*Security Trust and Intercreditor Deed — Entrenched Rights and Reserved Matters*" above)) act in accordance with the instructions of the relevant Majority Creditors in accordance with the STID (see Chapter 6.3, "*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 Chapter 6.3.13, "*Security Trust and Intercreditor Deed — Standstill*" above).

6.6 Cash Management

6.6.1 Accounts

In accordance with the Common Terms Agreement, Anglian Water opened and maintains the following Accounts:

(i) the Receipts Account;

(i) the Payment Account;

(ii) the Customer Payment Account;

(iii) the O&M Reserve Account;

(iv) the Distributions Account;

(v) the Capex Reserve Account;

(vi) the Tax Reserve Account; and

(vii) the Compensation Account.

It further required the Issuer to open and maintain the following Accounts: (a) the Debt Service Payment Account; and (b) the Class A Debt Service Reserve Account, and Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited to each open and maintain a chequing account.

Each of the above accounts together with any bank account of any member of the Anglian Water Services Financing Group are collectively referred to as the "**Accounts**". Each of the Accounts is held with the Account Bank pursuant to the Account Bank Agreement. Each Obligor agreed in the Common Terms Agreement to comply with the Account Bank Agreement and the provisions of the Common Terms Agreement applying to its Accounts.

6.6.2 Receipts Account

Under the Common Terms Agreement, Anglian Water agrees to ensure that all of its revenues (excluding any interest or investment income from Authorised Investments) are paid into the Receipts Account or transferred from an existing receipts account to the Receipts Account within one Business Day of receipt. Any payment may be made directly to the Payment Account. Save for refunds of monies received incorrectly and/or compensation payments made to customers in the ordinary course of business, monies credited from time to time to the Receipts Account are transferred periodically at the discretion of Anglian Water to the Payment Account but not otherwise.

6.6.3 Payment Account

The Payment Account is the principal current account of Anglian Water through which all operating and capital expenditure or any taxes incurred by Anglian Water and (subject to the terms of the Finance Documents) payments in respect of Financial Indebtedness of the Anglian Water Services Financing Group which are not permitted to be satisfied out of monies in the Debt Service Payment Account are cleared (including any Distributions in respect of the UK Holdco/Anglian Water Loan, which was repaid in full on 29 March 2018). Operating expenditure is funded by cash transfers from the Receipts Account and, if applicable, through direct payments into the Payment

Account and through drawings, as and when required and permitted by the Finance Documents, under any Authorised Credit Facility or other Permitted Financial Indebtedness. Capital expenditure is funded out of monies standing to the credit of the Payment Account or Receipts Account or, to the extent such sums are insufficient, out of cash transfers made from the Capex Reserve Account and/or the O&M Reserve Account. On the Effective Date, the balance on the Payment Account was £50,000,000.

Under the Common Terms Agreement, Anglian Water agrees that on the opening of business on the first Business Day of each month until the Discharge Date an amount equal to 1/12th (or pro rata in the case of the first Test Period) of Anglian Water's Annual Finance Charge for the time being will be transferred from the Payment Account to the Debt Service Payment Account (the "**Monthly Payment Amount**"). If in any month Anglian Water pays an amount into the Debt Service Payment Account to meet payments of AFC Amounts falling due in such month, this will be treated as a prepayment of future Monthly Payment Amounts payable during such Test Period. Accordingly, future Monthly Payment Amounts for that Test Period will be pro rata reduced to reflect such prepayment.

The Annual Finance Charge is calculated by Anglian Water annually on 31 March of each year (or, if such day is not a Business Day, the immediately preceding Business Day) and details are included in the next following Investors Report (including any adjustments or recalculations thereto).

Anglian Water shall recalculate the Annual Finance Charge and the Monthly Payment Amount if, during the course of any Test 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 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) and shall adjust the Monthly Payment Amount for the remaining months in the relevant Test Period accordingly.

Anglian Water is prohibited from withdrawing any monies in the Payment Account except on account of the following expenditure and then only in the following order (and provided all prior amounts under previous sub-paragraphs have been paid): (i) operating and capital expenditure of Anglian Water and taxes of any Obligor; (ii) payments to the Debt Service Payment Account in respect of the Monthly Payment Amount; (iii) by way of payment of Class A Debt required under Chapter 6.6.5, "*Debt Service Payment Account*"; (iv) for the purpose of transferring monies to the Capex Reserve Account or to the Class A Debt Service Reserve Account in respect of Class A Debt as required under Chapter 6.6.5, "*Debt Service Payment Account*" and/or the O&M Reserve Account (in each case to the extent required to prevent a breach of covenant or Trigger Event under the Common Terms Agreement); (v) from time to time for the purpose of making payments in respect of Financial Indebtedness which are not to be satisfied out of monies in the Debt Service Payment Account (including sums due as a result of a Permitted Hedge Termination, Permitted EIB Compulsory Prepayment Event and/or a Permitted Lease Termination); (vi) to pay UK Holdco Debt Service Distributions; or (vii) by way of transfer to the Customer Payment Account or

Distributions Account provided that the conditions for making such payments as set out in the Common Terms Agreement (as summarised in paragraph (iv)(u) of Chapter 6.5.5, "*Covenants — General*" above) have been satisfied.

Provided that (i) no Acceleration of Liabilities (other than Permitted Hedge Terminations, Permitted Lease Terminations and Permitted EIB Compulsory Prepayment Events) has occurred and (ii) no Trigger Event, no Event of Default and no Potential Event of Default is subsisting or would occur as a result of a payment following such demand, any Obligor is permitted to withdraw from sums standing to the credit of the Payment Account all amounts required to be paid upon the occurrence of a Permitted EIB Compulsory Prepayment Event for payment to the EIB in satisfaction of such Obligor's corresponding obligation set out in paragraph (vii) of Chapter 6.6.5 (*Debt Service Payment Account*) below.

6.6.4 Capex Reserve Account and O&M Reserve Account

Anglian Water may only withdraw any amounts from the Capex Reserve Account or the O&M Reserve Account:

(a) for the purpose of any transfer to the Payment Account on account of Anglian Water's forecast capital expenditure (in the case of the Capex Reserve Account) or operating and maintenance expenditure (in the case of the O&M Reserve Account) for the quarter in which such transfer occurs;

(b) where, prior to making a withdrawal from the O&M Reserve Account only, Anglian Water delivers a certificate to the Security Trustee and the Account Bank (upon which certificate the Security Trustee and Account Bank shall be entitled to rely without further enquiry or liability) certifying that, (i) following the making of such withdrawal, the aggregate of (x) the amounts standing to the credit of the O&M Reserve Account (including the value of any Authorised Investments funds and any related Income from amounts standing to the credit of the O&M Reserve Account) and (y) all amounts then available for drawing under any O&M Reserve Facility, are at least equal to an amount not less than 10 per cent. of Projected Operating Expenditure and Capital Maintenance Expenditure required for the next succeeding 12 month period as forecast in the AWS Business Financial Model on the date of such withdrawal and (ii) there has been no Standby Drawing in the period from the penultimate Payment Date prior to the date of the proposed withdrawal to the date of the proposed withdrawal.

Save as provided for in (b) above, where any amount so withdrawn shall be applied to the credit of the Payment Account, in no circumstances shall Anglian Water transfer in any quarter any monies from the Capex Reserve Account or the O&M Reserve Account to the Payment Account in excess of Anglian Water's forecast capital expenditure or operating and maintenance expenditure (as the case may be) for that quarter.

The Issuer and Anglian Water have agreed to ensure that the proceeds of any advance under any Authorised Credit Facility for the purpose of funding capital expenditure is

lent to Anglian Water under the Issuer/Anglian Water Loan Agreement and is paid directly into the Capex Reserve Account or the Payment Account.

The Issuer and Anglian Water have further agreed to ensure that the proceeds of any advance under the O&M Reserve Facility is lent to Anglian Water under the Issuer/Anglian Water Loan Agreement and is paid directly into the O&M Reserve Account or the Payment Account.

Anglian Water is not entitled to withdraw any monies credited to the O&M Reserve Account to make payment of any capital expenditure or operating and maintenance expenditure unless at the time of such withdrawal there are no funds standing to the credit of the Payment Account or the Receipts Account.

6.6.5 Debt Service Payment Account

Anglian Water has agreed in the Common Terms Agreement that (i) each transfer of or in respect of the Monthly Payment Amount from the Payment Account and (ii) upon the commencement of a Standstill Period, the aggregate amount then credited to the Customer Payment Account and the Distributions Account will be paid 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 and (to the extent such amount is insufficient) monies credited to the Payment Account and/or the Receipts Account shall be applied by Anglian Water and the Issuer in the following order and that Anglian Water shall repay the Intercompany Loan Arrangements to such extent as is required for the purpose of enabling the following payments ("**Permitted Payments**") to be made in the following order of priority (the "**Payment Priorities**"):

(i) first (to the extent there are insufficient monies standing to the credit of all other Accounts and/or available for drawing under any Liquidity Facility), in or towards satisfaction of all operating costs and budgeted maintenance costs;

(ii) second, in or towards satisfaction of the remuneration, costs and expenses of the Security Trustee and the Bond Trustee;

(iii) third, in or towards satisfaction of, on a pro rata basis: (a) the remuneration, costs and expenses of the Agent Bank, the USPP Paying Agent, each Paying Agent, each Registrar, each Transfer Agent, each Exchange Agent, the Listing Agent and any other agents appointed under the Agency Agreement or otherwise (each an "**Agent**"), the Account Bank under the Account Bank Agreement, each Debt Service Reserve Liquidity Facility Provider under the relevant Liquidity Facility Agreement, the O&M Reserve Facility Provider under the O&M Reserve Facility, each Authorised Credit Provider under the relevant Authorised Credit Facility, and the Cash Manager; and (b) the remuneration, costs and expenses of and premia of each Financial Guarantor pursuant to the relevant I&I Agreement;

(iv) fourth, pro rata according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of fees, interest and principal (other than any Subordinated Liquidity Facility Amounts) due or overdue to each Debt Service Reserve Liquidity Facility Provider under the relevant Liquidity Facility Agreement; (b) all amounts of fees, interest and principal (other than

Subordinated O&M Reserve Facility Amounts) due or overdue to the O&M Reserve Facility Provider under the O&M Reserve Facility; 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 Interest Rate Hedging Agreement (subject to paragraphs (vi) and (xv) 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) and commitment commissions due or overdue in respect of the Class A Debt (other than Subordinated Coupon Amounts and Subordinated Authorised Loan Amounts); (b) any amounts (including termination amounts) due and payable to each Hedge Counterparty under any Interest Rate Hedging Agreement (subject to paragraph (v) above and paragraph (xv) below); (c) all scheduled amounts payable to each Hedge Counterparty under any Currency Hedging Agreement and (following termination of a Standstill Period other than due to remedy or waiver by the Majority Creditors of the Event of Default giving rise to the Standstill Period) all amounts payable to each Hedge Counterparty under any Currency Hedging Agreement (subject to paragraph (xv) below); (d) all amounts of underwriting commissions due or overdue in respect of the Class A Debt; and (e) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant I&I Agreement in respect of payments of interest on any Class A Bonds of the relevant Series guaranteed by such Financial Guarantor;

(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 the Class A Debt (including in respect of Finance Leases, those amounts 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); (b) all principal exchange amounts due and payable to each Hedge Counterparty under any Currency Hedging Agreement; (c) any termination amounts or other sums due and payable to each Hedge Counterparty under any Currency Hedging Agreement (subject to paragraph (vi) above and paragraph (xv) below); and (d) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant I&I Agreement in respect of payments of principal on any Class A Bonds of the relevant Series guaranteed by such Financial Guarantor;

(viii) eighth, pro rata according to the respective amounts thereof, in or towards satisfaction of any Make-Whole Amount due and payable on the Class A Debt and any MBIA Make-Whole Amount;

(ix) ninth, (to the extent required under the Common Terms Agreement) in payment to the Class A Debt Service Reserve Account;

(x) tenth, (to the extent required under the Common Terms Agreement) in payment to the O&M Reserve Account;

(xi) eleventh, pro rata according to the respective amounts thereof, in or towards satisfaction of all amounts of: (a) interest and commitment commissions due or overdue in respect of the class B debt (other than any Subordinated Coupon Amounts); (b) all amounts of underwriting commissions (other than Subordinated Commissions) due or overdue in respect of the class B debt; and (c) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant I&I Agreement in respect of payments of interest on any Class B Bonds of the relevant Series guaranteed by such Financial Guarantor;[4]

(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; and (b) all reimbursement sums (if any) owed to each Financial Guarantor under the relevant I&I Agreement in respect of payments of principal on any Class B Bonds of the relevant Series guaranteed by such Financial Guarantor;

(xiii) thirteenth, pro rata according to the respective amounts thereof, in or towards satisfaction of any Make-Whole Amounts due and payable on the class B debt;

(xiv) fourteenth, (to the extent required under the Common Terms Agreement) in payment to the class B debt service reserve account;

(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;

(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 the relevant Liquidity Facility Agreement in respect of Class A Bonds; (b) all Subordinated O&M Reserve Facility Amounts due or overdue to the O&M Reserve Facility Provider under the O&M Reserve Facility; (c) 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; (d) any other indemnified amounts due or overdue to each Financial Guarantor under the relevant I&I Agreement in respect of any Class A Bonds of the relevant Series guaranteed by such Financial Guarantor; and (e) any amounts payable in respect of Class A Debt not referred to in other paragraphs of the Payment Priorities;

(xvii) seventeenth, pro rata according to the respective amounts thereof, in or towards satisfaction of: (a) all Subordinated Liquidity Facility Amounts due or overdue to each Liquidity Facility Provider under the relevant Liquidity Facility

[4] Following the entry into the Class B Deed Poll, the references to class B debt in this priority of payments are dormant, but have been retained in this Prospectus for consistency with underlying documents.

Agreement in respect of Class B Bonds; (b) 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; (c) any other indemnified amounts due or overdue to each Financial Guarantor under the relevant I&I Agreement in respect of any Class B Bonds of the relevant Series guaranteed by such Financial Guarantor; and (d) any amounts payable in respect of class B debt not referred to in other paragraphs of the Payment Priorities;

(xviii) eighteenth, pro rata according to the respective amounts thereof, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of any Class A Bonds;

(xix) nineteenth, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of any Class B Bonds;

(xx) twentieth, (a) amounts to be paid into the Tax Reserve Account until the credit cash balance therein is restored to at least £40 million and (b) payment of all amounts then payable by way of reimbursement to the provider of any Letter(s) of Credit and/or any Tax Reserve Guarantee (each as defined below in Chapter 6.11.3, "*Other Transaction Documents - Deed of Indemnity*") but only after the defaulting member of the Consortium has failed to make such payment in full and in all cases to the extent that the aggregate of the credit cash balance in the Tax Reserve Account when taken together with the amount available under any Letter(s) of Credit and the amount guaranteed pursuant to any Tax Reserve Guarantee is restored to at least £100 million (the "**Required Amount**"); and

(xxi) twenty-first (to the extent required in the Common Terms Agreement) shall remain in the Debt Service Payment Account.

For so long as a Standstill Event has not occurred or has occurred and has been cured, Anglian Water 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 Financial Indebtedness falling due and payable on such Payment Date (such aggregate amount, the "**Scheduled Debt Service**"). If the balance on the Debt Service Payment Account is less than the amount of Scheduled Debt Service, then Anglian Water will promptly transfer sums standing to the credit of the Payment Account and/or the Receipts Account to the Debt Service Payment Account. To the extent that the aggregate of all such sums paid or transferred to the Debt Service Payment Account is less than the Scheduled Debt Service, the Issuer shall promptly request a drawing under the Liquidity Facility. Any proceeds raised by the Issuer in accordance with the terms of the Finance Documents (excluding any permitted post-closing events) shall be paid under the Intercompany Loan Arrangements by the Issuer to Anglian Water. Amounts raised (a) to fund capital expenditure shall be paid into the Capex Reserve Account, (b) to refinance existing Financial Indebtedness of the Issuer or Anglian Water shall be paid into the Debt Service Payment Account (and to that extent will not require a drawing on a Debt Service Reserve Liquidity Facility) and (c) for any other purposes shall be paid into the Payment Account.

Until such time as a Standstill Event has occurred and remains unremedied, all amounts payable on any Payment Date shall be paid strictly in the order referred to above, to the intent that no amounts falling to be paid under any sub-paragraph may be paid until such time as the amounts falling to be paid on the same date or earlier under each preceding sub-paragraph have been paid in full.

6.6.6 Debt Service Reserve Accounts

Anglian Water is allowed (subject to and in accordance with the order for payment specified in Chapter 6.6.5, "*Debt Service Payment Account*" above) to transfer monies standing to the credit of the Receipts Account or Payment Account to the Class A Debt Service Reserve Account, as required.

Anglian Water has agreed to procure that:

(a) on any Payment Date the aggregate of (i) all amounts available for drawing under the Debt Service Reserve Liquidity Facilities; and (ii) all amounts standing to the credit of the Debt Service Reserve Accounts are equal to the next 12 months' interest forecast to be due on the Financial Indebtedness of the Anglian Water Services Financing Group; or

(b) on the applicable Payment Date or the Business Day immediately following such Payment Date (and in each case prior to the proposed withdrawal), Anglian Water has delivered a certificate to the Security Trustee and the Account Bank (upon which certificate the Security Trustee and Account Bank shall be entitled to rely without further enquiry or liability) certifying that (i) following the making of such withdrawal the aggregate of the amounts (x) standing to the credit of the applicable Class A Debt Service Reserve Account (including the value of any Authorised Investments funds and any related Income from amounts standing to the credit of the Class A Debt Service Reserve Account) and (y) available for drawing under the Class A Debt Service Reserve Liquidity Facilities in respect of Class A Debt, is at least equal to the Class A Required Balance on the date of such withdrawal and (ii) there has been no Standby Drawing in the period from the penultimate Payment Date prior to the date of the proposed withdrawal to the date of the proposed withdrawal, provided that any amounts so withdrawn shall be transferred to the Payment Account.

6.6.7 Compensation Account

(i) The Common Terms Agreement requires Anglian Water to ensure that:

(a) all proceeds of insurance in excess of £1,000,000 (indexed) per claim, receivable by it or to its order (other than in respect of delay in start up, business interruption or anticipated loss in revenue or third-party claims) are paid directly into the Compensation Account; and

(b) any such amounts which are not paid directly into the Compensation Account are paid into the Compensation Account immediately upon receipt by (or to the order of) Anglian Water; and

(c) any amounts required under the terms of the Common Terms Agreement to be deposited into the Compensation Account following a notice of termination from a Hedge Counterparty are so deposited.

(ii) Subject to paragraph (iii) below, the Common Terms Agreement provides that Anglian Water may only withdraw amounts from the Compensation Account: (A) in the case of monies representing the proceeds of claims under physical loss or damage policies, for application in meeting payments which are due and payable in respect of the restoration, reinstatement or replacement of the asset lost or damaged or in payment of any Class A Debt falling due on the same day as any Permitted Lease Termination arising as a consequence of the loss of such asset; or (B) in the case of monies paid to Anglian Water's order to be paid direct to a third party on account of whose claim those insurance proceeds are payable, by way of payment to such third party; or (C) in the case of amounts referred to under paragraph (i)(c) above, in meeting termination sums due under the relevant Hedging Agreement; and/or (D) in paying to the Payment Account any amount deposited which is, at any time, in excess of the amount required to be so deposited.

(iii) If Anglian Water has paid sums to reinstate, restore or replace effects lost or damaged or to meet claims by third parties out of monies withdrawn from the Receipts Account or Payment Account, then the Common Terms Agreement allows Anglian Water to transfer monies representing the proceeds of the claim to the Payment Account.

6.6.8 Customer Payment Account

Subject to complying with the Common Terms Agreement, Anglian Water is allowed to credit to the Customer Payment Account such amounts as are permitted to be transferred to the Customer Payment Account pursuant to the terms of the Common Terms Agreement and, in particular, pursuant to the provisions thereof dealing with Restricted Payments (see Chapter 6.5.5, "*Common Terms Agreement — Covenants — General*", above).

Anglian Water has agreed to ensure that in respect of each Financial Year in which Customer Rebates are given, the balance on the Customer Payment Account is at all times during such Financial Year equal to the Customer Payment Account Required Balance. To the extent that the balance on the Customer Payment Account is at any time greater than the Customer Payment Account Required Balance, Anglian Water shall withdraw from the Customer Payment Account an amount equal to such excess and transfer such amount to the Payment Account.

Subject to the above, Anglian Water is entitled, at any time prior to the occurrence of a Standstill Event, to apply monies credited to the Customer Payment Account in and towards settlement of a Restricted Payment that is a Customer Rebate.

6.6.9 Tax Reserve Account

Subject to complying with the terms of the Common Terms Agreement and ranking behind all payments required to be made thereunder but ahead of Distributions, the credit cash balance in the Tax Reserve Account shall be maintained at the greater of

£40 million or (when taken together with the amount of any Letter(s) of Credit and/or the amount guaranteed pursuant to any Tax Reserve Guarantee) the Required Amount.

Provided that no amount in respect of which a member of the Consortium is liable under the Deed of Indemnity (defined below) is outstanding and the funds standing to the credit of the Tax Reserve Account and/or the amounts available under any Letter(s) of Credit and/or any Tax Reserve Guarantee are in the aggregate equal to an amount not less than the Required Amount, amounts standing properly to the credit of the Distributions Account may be withdrawn by Anglian Water at any time for payment into the Payment Account or, provided that no Event of Default is subsisting and no such aforementioned amount is outstanding and the funds standing to the credit of the Tax Reserve Account and/or the amounts available under any Letter(s) of Credit and/or any Tax Reserve Guarantee are in aggregate equal to an amount not less than the Required Amount, for payment to any other purpose. See also Chapter 6.11.2, "*Other Transaction Documents — Tax Deed of Covenant*" and Chapter 6.11.3, "*Other Transaction Documents — Deed of Indemnity*" below.

6.6.10 Distributions Account

The Common Terms Agreement provides that Anglian Water may only transfer amounts from the Payment Account to the Distributions Account strictly in accordance with the provisions of the Common Terms Agreement (and, in particular, in accordance with the covenant dealing with payments into the Distributions Account (see Chapter 6.5.5, "*Common Terms Agreement — Covenants — General*" above)).

Anglian Water is able to withdraw amounts properly standing to the credit of the Distributions Account at any time for payment into the Payment Account or, provided no Event of Default is subsisting, for payment for any purpose.

6.6.11 Authorised Investments

The Common Terms Agreement allows Anglian Water and the Issuer to invest in certain eligible Authorised Investments such part of the amounts standing to the credit of any of the Accounts as is prudent and in accordance with certain provisions set out in the Common Terms Agreement including that deposits constituting Authorised Investments will only be permitted to the extent that the Authorised Investment is with a bank or financial institution which has agreed that: (i) the Authorised Investment is held to the order of Anglian Water; (ii) any payment in respect of the Authorised Investment will be remitted (in full and without any deduction, withholding or retention of any kind, except to the extent required by law) to the Account Bank; (iii) the Authorised Investment is subject to the Security Interests created by the Security Documents; and (iv) it will not exercise, and will hold the Authorised Investment free of, any Security Interest, right of set-off, counterclaim or other interest which it may have.

6.6.12 Cash Management during a Standstill Period

The arrangements described in Chapter 6.6.5, "*Debt Service Payment Account*" above shall continue to apply until the occurrence of a Standstill Event. The Common Terms Agreement provides that, following the occurrence of a Standstill Event and for so long as it continues unremedied and provided no Enforcement Action (other than a permitted share pledge acceleration) has occurred, the Cash Manager 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 there is a shortfall in the forecast revenues, the Cash Manager shall notionally apply those forecast revenues to each category in the order set out in Chapter 6.6.5, "*Debt Service Payment Account*" until the revenue that is forecast to be available is insufficient to meet all of the payments in any sub-paragraph of Chapter 6.6.5, "*Debt Service Payment Account*" above (the "**Shortfall Paragraph**") and shall, in respect of those categories of payment falling within the Shortfall Paragraph, divide the anticipated revenues remaining pro rata between those amounts. Throughout the Standstill Period, any payments falling to be made within a category of payment falling within a Shortfall Paragraph shall be satisfied by a payment of the pro rata share of that payment so calculated and no payments falling in a category which (in accordance with the order of priority set out in Chapter 6.6.5, "*Debt Service Payment Account*" above) falls after a Shortfall Paragraph shall be made (and the balance of the payments not made shall remain outstanding).

The proceeds of enforcement of the Security which is permitted to be enforced during a Standstill Period will also be applied in accordance with the above Payment Priorities. In circumstances where such enforcement occurs during a Standstill Period or following an Enforcement Action (other than a permitted share pledge acceleration) under the STID the proceeds of enforcement will be applied in accordance with the above Payment Priorities but excluding in these circumstances payments under paragraphs (i), (ix) and (xiv) of Chapter 6.6.5, "*Debt Service Payment Account*" above.

6.7 Security Agreement

6.7.1 Security

Each Obligor has entered into the security agreement (the "**Security Agreement**") with the Security Trustee pursuant to which they each guarantee the obligations of each other Obligor under the Finance Documents to the Security Trustee as security trustee for the Secured Creditors and each secure their property, assets, and undertakings to the Security Trustee as trustee for the Secured Creditors. The creation, perfection and enforcement of such security is (in respect of the Security granted by Anglian Water) subject to the WIA, the Instrument of Appointment and requirements thereunder. As a result of the restrictions placed upon Anglian Water in respect of the giving of security and the Special Administration procedure contained in the WIA, the value, effect and enforceability of the security granted by Anglian Water is severely limited (see "*Risk Factors*" and Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*" for a more detailed discussion of these issues). The Security Agreement does, to the extent applicable, incorporate the provisions of the Common Terms Agreement and the STID.

The security constituted by the Security Agreement is expressed to include:

(i) first fixed charges over:

  (a) the shares in Anglian Water, Anglian Water Services UK Parent Co Limited and the Issuer;

(b) each Obligor's right, title, and interest from time to time in and to:

(A) any real property interests currently owned by it or acquired after the date of the Security Agreement (other than certain excluded property not exceeding in aggregate £10 million (indexed)); and

(B) the proceeds of disposal of any land;

(c) all present and future plant, machinery, office equipment, computers, vehicles, and other chattels;

(d) its accounts;

(e) any intellectual property rights owned by it (excluding immaterial information technology licence agreements);

(f) any goodwill and rights in relation to the uncalled capital;

(g) each 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; and

(i) all present and future book and other debts and all monies standing to the credit of its accounts and the debts represented thereby; and

(ii) an assignment of each Obligor's right, title, and interest from time to time in and to:

(a) the proceeds of any insurance policies (other than motor insurance, employer's liability insurance and any other third-party liability insurance) and all rights related thereto; and

(b) all Transaction Documents and any other document or agreement to which an Obligor is a party (subject to certain exceptions); and

(c) a first floating charge of the whole of the undertaking, property, assets, and rights whatsoever and wheresoever present and future of each Obligor,

except that the security does not include any Protected Land (see Chapter 11.6, "*Regulation of the Water and Water Recycling Industry in England and Wales — Protected Land*") or any of Anglian Water'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.

The security is held on trust by the Security Trustee for itself and on behalf of the Secured Creditors in accordance with and subject to the terms of the STID.

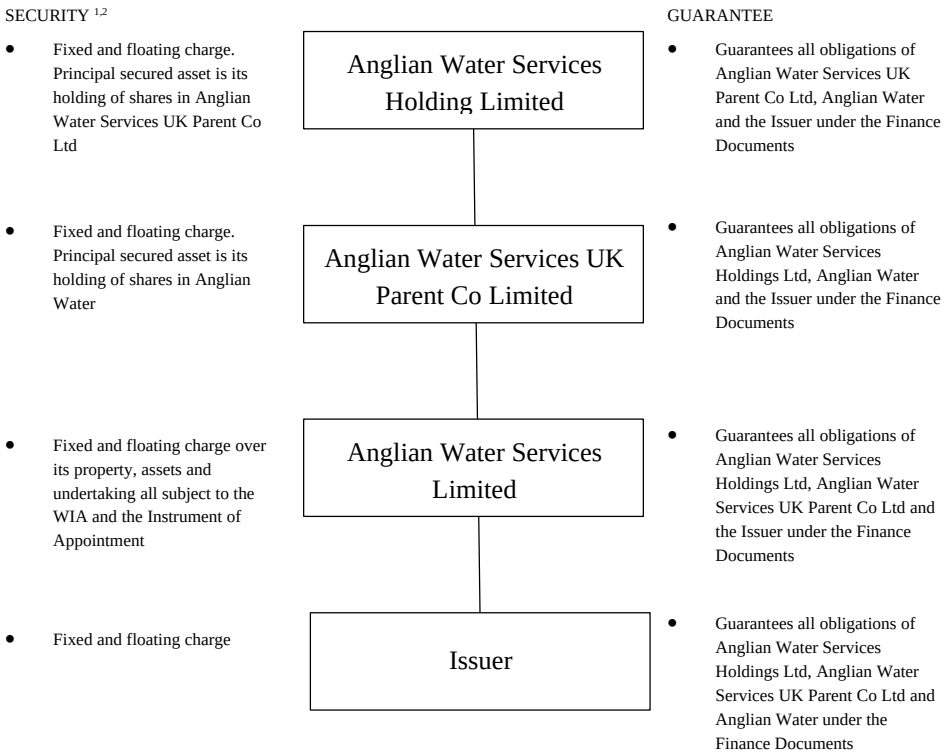
For a description of certain limitations on the ability of Anglian Water to grant security and certain limitations and restrictions on the security purported to be granted, see "*Risk Factors — Risks Relating to the Issuer – Legal considerations – Ability to Grant Security — Security*" and Chapter 11.6.1, "*Regulation of the Water and Water Recycling Industry in England and Wales — Security — Restrictions on the Granting of Security*".

Notice of the creation of the security has not been given initially to customers or to contractual counterparties in respect of contracts (other than certain material contracts) and each charge over land as purported to be granted will take effect in equity only. Accordingly, until notice of the creation of the Security is given to the relevant customers or contractual counterparties or registration is effected with HM Land Registry in respect of registered land or certain other action is taken in respect of unregistered land, to the extent possible any such security or charge may be or become subject to prior equities and/or other legal rights arising in relation thereto.

None of Anglian Water Services Holdings Limited or Anglian Water Services UK Parent Co Limited has or is expected to have any significant assets other than the shares in their respective subsidiaries.

6.7.2 Security Structure

The following shows the security provided by the Anglian Water Services Financing Group in favour of the Security Trustee on behalf of the Secured Creditors:



Notes:

(1) All security is granted to the Security Trustee as security trustee for the Secured Creditors.

(2) Anglian Water Services Holdings Ltd, Anglian Water Services UK Parent Co Ltd, Anglian Water and the Issuer grant all security pursuant to the Security Agreement.

6.7.3 Additional Security following Takeover by Osprey

Following the acquisition of AWG Parent Co Limited (then known as AWG plc) by Osprey, Anglian Water entered into a deed of assignment dated 7 December 2006 with the Security Trustee, pursuant to which Anglian Water granted security in respect of a deposit (expressed to be £100 million at 7 December 2006 and a sum of not less than

£40 million at any time thereafter) in favour of the Security Trustee (as trustee for the Secured Creditors). This deposit may be used to discharge any Secured Liabilities from time to time.

6.8 Financial Guarantor Documents

6.8.1 The Bond Policies

On the Effective Date, MBIA issued in favour of the Bond Trustee (for itself and on behalf of the relevant Class A Wrapped Bondholders) a Bond Policy in respect of the Class A Wrapped Bonds in issue. As the existing MBIA commitment has been fully utilised, no information is included in this Prospectus in relation to MBIA. To the extent that MBIA or any other Financial Guarantors issue Bond Policies in respect of any further Series of Class A Wrapped Bonds, such Bond Policies are expected to be issued by such Financial Guarantor(s) on terms substantially similar thereto.

Upon an early redemption of the relevant Wrapped Bonds or an acceleration of the relevant Wrapped Bonds, MBIA's obligations will continue to be to pay the Insured Amounts as they fall Due for Payment (as defined in MBIA's Bond Policy) on each Payment Date. MBIA will not be obliged under any circumstances to accelerate payment under its Bond Policies. However, if it does so, it may do so in its absolute discretion in whole or in part, and the amount payable by MBIA 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 MBIA or any other Financial Guarantor under any of the Bond Policies.

The Bond Trustee as party to the Bond Policies in issue has, and in respect of Bond Policies to be issued by MBIA or any other Financial Guarantor will have, the right to enforce the terms of such Bond Policies, and any right of any other person to do so is expressly excluded.

6.8.2 Insurance and Indemnity Agreements

On each relevant Issue Date in respect of the Wrapped Bonds, the Issuer and Anglian Water will enter into an insurance and indemnity agreement (each an "**I&I Agreement**") with the relevant Financial Guarantor, pursuant to which the Issuer will be obliged, *inter alia*, to reimburse such Financial Guarantor in respect of the payments made by it under the relevant Bond Policy and to pay, *inter alia*, any premia and fees and expenses of such Financial Guarantor in respect of the provision of the relevant Bond Policy. Insofar as a Financial Guarantor makes payment under the relevant Bond Policy in respect of Insured Amounts (as defined in such Bond Policy), it will be subrogated to the present and future rights of the relevant Wrapped Bondholders against the Issuer in respect of any payments made.

6.8.3 AWG plc Side Letter

AWG plc (now known as AWG Parent Co Limited) and MBIA have entered into a letter agreement on the Effective Date under which AWG plc (now known as AWG Parent Co Limited) has agreed that it will not voluntarily cease to have Control of Anglian Water Services Holdings Limited unless it has first obtained a confirmation from at least two Rating Agencies that such event will not cause the shadow rating of the Class A Wrapped Debt to be downgraded to, or below, BBB+ by Fitch or, as the case may be, Baa1 by Moody's. AWG plc (now known as AWG Parent Co Limited) also undertook to procure (unless it is unable to do so by reason of any law, judgment, court order, regulation, directive or any regulatory or licence requirement) that any person who gains Control of Anglian Water Services Holdings Limited will enter into a letter with MBIA on equivalent terms.

6.9 Additional Resources Available

6.9.1 New Finance Lease

This section sets out the provisions contained in the New Finance Lease that Anglian Water has entered into. The Finance Documents also allow Anglian Water to enter into new Finance Leases in the future, subject to certain limits and provided that any new Finance Lessor accedes to the CTA and the STID. Following the entry into the Lease Termination Agreement, the Existing Finance Lease has been terminated.

(i) Supply of Equipment

Certain leasing companies have acquired equipment and systems and Anglian Water has sold or otherwise procured the supply of certain equipment and systems to leasing companies (or in respect of Equipment which constitutes Fixtures (as defined below) has been reimbursed for capital expenditure in respect thereof), in each case for the purpose of Anglian Water leasing such equipment and systems from the leasing companies.

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 water recycling operations of Anglian Water, as well as computer software systems and computer hardware. The Equipment is comprised of movable equipment ("**Movables**") and fixed equipment (that is Equipment which is so affixed to real estate so as to become part of that real estate as a matter of law ("**Fixtures**")).

(ii) Lease Agreements

Lombard Business Leasing Limited as lessor (the "**New Finance Lessor**") has leased the Equipment sold or supplied to Anglian Water as lessee on the terms and subject to the conditions set out in a lease agreement (the "**New Finance Lease**").

In relation to Fixtures, because no title passes to the New Finance Lessor (or if it does that title reverts to the landowner on affixation to real estate of the relevant Equipment), Anglian Water and the New Finance Lessor have elected to deem that ownership is in the New Finance Lessor and that there is a deemed lease of the Fixtures in question.

(iii) Lease Periods

Under the New Finance Lease the primary period is for 25 years from the lease commencement date with the option to extend, automatically in the case of Movables and at the relevant Finance Lessor's discretion in the case of Fixtures for another 25 years.

(iv) Subject to Common Terms Agreement and STID

The New Finance Lease has been amended so as to be subject to the CTA. In this way the representations, warranties, covenants, and events of default set out in the CTA apply in respect of the New Finance Lessor for the New Finance Lease. The New Finance Lease is also subject to the STID which regulates the claims of the New Finance Lessor against Anglian Water and termination and enforcement rights under the relevant Finance Lease. Certain of the material terms of the New Finance Lease (in addition to those incorporated from the CTA) are outlined below (see paragraph (vii), "*Anglian Water Obligations*" below).

(v) Rental

Anglian Water is obliged to make regular rental payments ("**Rental**"), annually in advance under the New Finance Lease.

The primary period Rental payable under the New Finance Lease is calculated by reference to a number of assumptions made at the time of execution of the New Finance Lease (including a specific assumed rate of interest) and if any such assumption proves to be incorrect, the primary rental payments under the New Finance Lease are adjusted to levels that seek to (or if all those rentals have been paid additional rentals or rebates of rental are made in order to) preserve the New Finance Lessor's agreed after-tax rate of return on its acquisition cost of the Equipment leased under the New Finance Lease. The rental payments payable during any secondary period are also set out in the New Finance Lease.

The assumptions set out in the New Finance Lease are the type of tax and financial assumptions customarily found in leases of this kind and include, *inter alia*, matters such as the rate of corporation tax, the rate of writing down allowances, the amount of group relief on tax losses which may be claimed by the lessor and other changes in applicable law or regulation.

Anglian Water will pay any VAT (if payable) due in respect of any payments under the New Finance Lease.

(vi) General Payment Provisions

Default interest is payable under the New Finance Lease in respect of any late payment.

All Rental and other payments under the New Finance Lease are required to be made free and clear of, and without withholding or deduction for, tax, if any, applicable to such payments unless such withholding or deduction is required by law. In that event, Anglian Water will be obliged to pay such additional amounts as will result in the receipt by the New Finance Lessor as appropriate of such

amount that the New Finance Lessor, as appropriate, would have received if no such withholding or deduction had been required.

The New Finance Lease provides that if the New Finance Lessor determines in its absolute discretion that it has received or has been granted a credit against or remission from any tax payable which is attributable to such additional amounts payable by Anglian Water then the New Finance Lessor shall reimburse such amount as shall leave the New Finance Lessor after such reimbursement in no worse position than the New Finance Lessor would have been in if the deduction or withholding had not been required.

(vii) Anglian Water Obligations

In addition to the representations and warranties made by Anglian Water, and the covenants applying to Anglian Water, under the CTA, the New Finance Lease also imposes certain customary finance lease representations, warranties, and covenants on Anglian Water.

In particular, Anglian Water is required, in accordance with the New Finance Lease, *inter alia*, (1) to keep the Equipment in good repair, condition and working order, (2) to ensure the Equipment is used in a skilful and proper manner, (3) to make good all damage to the Equipment and (4) to maintain third party liability and property insurances in respect of the Equipment.

A breach of any of the representations or covenants in the New Finance Lease which would be reasonably likely to have a Material Adverse Effect will, to the extent not remedied or waived, oblige Anglian Water to prepay all sums due and payable under the New Finance Lease, as appropriate (as outlined above, see paragraphs (iv)(i) and (r)), Chapter 6.5.5, "*Common Terms Agreement — Covenants — General*" and will be subject to the CTA and the STID. If Anglian Water does not make such prepayment in accordance with the CTA and the STID, it will constitute an Event of Default (to the extent not remedied by Anglian Water or waived (upon notice of that event to the Security Trustee) by the New Finance Lessor) with the result that the Standstill Period will automatically commence.

(viii) General Indemnities

The New Finance Lease contains a general indemnity whereby Anglian Water agrees to indemnify the New Finance Lessor against, *inter alia*, all losses, and damages (excluding taxes), in any way associated with the transactions contemplated in the New Finance Lease, as appropriate other than those arising as a result of, *inter alia*, the wilful misconduct of the New Finance Lessor.

The New Finance Lease provides that Anglian Water shall indemnify under the New Finance Lease the New Finance Lessor against all losses incurred or suffered by it, *inter alia*, in relation to the Equipment or as a result of failure by Anglian Water to comply with its obligations under the New Finance Lease.

(ix) Tax Indemnities

Under the terms of the New Finance Lease, Anglian Water is required to indemnify the New Finance Lessor for certain tax liabilities arising in relation

thereto, either by way of variation of the Rental payment amounts (see paragraph (v), "*Rental*" above) or contractual indemnity payments.

These indemnities survive any termination of the leasing of the Equipment and the termination of the New Finance Lease itself.

(x) Additional Termination Rights under the New Finance Lease

The New Finance Lease contain termination rights on the part of the New Finance Lessor in addition to the Events of Default set out in the CTA and those outlined in paragraph (vii), "*Anglian Water Obligations*" above. These include a right to terminate following a total loss of any Equipment. In these circumstances, subject to the terms of the CTA, the STID and the New Finance Lease (as amended and supplemented), as appropriate, the New Finance Lessor may terminate the leasing of the Equipment under the New Finance Lease and charge a termination sum in the circumstances outlined above, save that Anglian Water will not make any payment if (i) an Acceleration of Liabilities has occurred or (ii) a Default Situation is subsisting or would occur as a result of such payment. If Anglian Water fails or is unable to make any prepayment in accordance with the CTA and the STID, an Event of Default will arise under the CTA and upon notice of that event to the Security Trustee the Standstill Period will automatically commence.

Anglian Water may voluntarily terminate the leasing of all or part of the Equipment under the New Finance Lease (as Anglian Water has done in respect of the Existing Finance Lease) and pay, *inter alia*, all Rentals due thereunder in advance of the expiry of the relevant lease period provided that (i) no Acceleration of Liabilities has occurred and (ii) no Default Situation is subsisting or would occur as a result of such payment.

The New Finance Lease provides that upon termination, a termination payment becomes payable as calculated pursuant to the financial schedule attached to the New Finance Lease. The termination payment payable is calculated by a reference to a number of assumptions which if subsequently proven to be incorrect may give rise to a further payment or a rebate in the future.

In the New Finance Lease, termination payments may vary according to the termination event which takes place and the date thereof. They are calculated, broadly speaking, by the production of a revised cash flow as at the date of the relevant termination based upon certain assumptions. Broadly, the termination payment will be an amount equal to the aggregate of (i) sums due and payable under the New Finance Lease and (ii) an amount equal to the balance of the New Finance Lessor's investment in the New Finance Lease and so as to preserve the New Finance Lessor's net after-tax return. Additionally, the New Finance Lease requires a termination fee to be paid if termination occurs within a period specified therein.

(xi) Repossession of Movables on Termination

To the extent it relates to Fixtures, the New Finance Lease provides that, after termination of the hiring of the Equipment for whatever reason, the New Finance Lessor may require Anglian Water to dismantle, dispose, or store and maintain

until sold, any "Surplus Equipment" (i.e., so much of the Movables as is then no longer required to ensure that the functions of Anglian Water under the WIA may be properly carried out). Upon the termination of the hiring of any Surplus Equipment, and so long as no termination event has occurred (or, if it has occurred, is not continuing or has been remedied) Anglian Water shall at its own expense be entitled and bound to act as the exclusive sales representative of the New Finance Lessor for a period of one year after termination of the hiring of the Surplus Equipment and thereafter as non-exclusive sales representative to find a purchaser of the Surplus Equipment. Following a sale of any Surplus Equipment the relevant Finance Lessor shall rebate (by way of rebate of Rentals) any proceeds of sale (less the New Finance Lessor's termination payments and other amounts due) to Anglian Water.

(xii) Insurance and Total Loss

The New Finance Lease provides that Anglian Water is to effect and maintain insurance against all risk of loss of or damage to the Equipment.

The New Finance Lease provides that Anglian Water shall effect and maintain in full force and effect third party liability insurance cover in respect of all the Equipment in accordance with and to the extent and in the amounts required to comply with good and prudent water industry insurance practice in the United Kingdom.

Upon a total loss of certain items of Equipment, the leasing of such items will terminate and Anglian Water must pay a termination payment (from insurance proceeds or otherwise) within a specified number of business days following such total loss or within a certain number of business days after the date of receipt of insurance proceeds in relation to such Equipment.

Anglian Water bears the full risk of any total loss of or any damage to all or a material part of the Equipment.

(xiii) Capital Allowances

The New Finance Lessor constitutes a Secured Creditor and has the benefit of the security package which the Obligors granted under the Security Agreement. Although leading counsel has advised that section 225 of the Capital Allowances Act 2001 ("**Section 225**") should not apply, there is a risk that the available benefit of the security package could cause Section 225 to apply to the New Finance Lease. If Section 225 did apply in this way, the New Finance Lessor would not be able to claim capital allowances in relation to the capital expenditure it has incurred on the leased Equipment. Under the terms of the New Finance Lease, the cost of this inability to claim capital allowances would be passed on to Anglian Water in the form of higher Rentals.

6.9.2 Authorised Loan Facilities

The Issuer entered into the CPIH Authorised Loan Facility with an aggregate facility amount of £100,000,000 with MIDF UK1B Ireland DAC, MIDF UK2 Ireland DAC and BP Pension Trustees Limited as trustee of the BP Pension Fund, as Authorised Credit Providers. The CPIH Authorised Loan Facility is a term loan facility which is

available to the Issuer for the purposes of investing the proceeds into various sustainability projects (as further described in the CPIH Authorised Loan Facility) until 4 November 2040.

The Issuer entered into the National Westminster Bank Authorised Loan Facility with an aggregate of the Facility A1 Commitment and the Facility A2 Commitment in an amount of £150,000,000 with National Westminster Bank plc, as Authorised Credit Provider. The National Westminster Bank Authorised Loan Facility is a term loan facility which is available to the Issuer for general corporate purposes until 1 November 2029 (in relation to the Facility A1 Commitment) and 1 November 2032 (in relation to the Facility A2 Commitment).

On 16 June 2025, the Issuer refinanced some of its pre-existing Authorised Loan Facilities and entered into the new syndicated facility (the "**Syndicated Authorised Loan Facility**") with an aggregate facility amount of £1,000,000,000 (which was upsized to £1,100,000,000 on 28 August 2025 by Morgan Stanley Bank, N.A. and subsequently upsized to £1,200,000,000 on 26 March 2026 by SMBC Bank International plc) with Bank of China Limited, London Branch, Barclays Bank PLC, BNP PARIBAS, London Branch, Canadian Imperial Bank of Commerce, London Branch, HSBC UK Bank plc, ING Bank N.V., London Branch, JPMorgan Chase Bank, N.A., London Branch, Lloyds Bank plc, MUFG Bank, Ltd. and National Westminster Bank Plc, as Authorised Credit Providers. The Syndicated Authorised Loan Facility is a revolving credit facility which is available to the Issuer for general corporate purposes until 16 June 2028, which has been extended to 16 June 2029 pursuant to an extension request, or such later date as further extended or agreed in accordance with the Authorised Loan Facility.

On 6 August 2026, the Issuer entered into an authorised loan facility with an aggregate facility amount of £100,000,000 with CaixaBank, S.A. United Kingdom Branch, as Authorised Credit Provider, as amended on 10 August 2026 (the "**Caixa Authorised Loan Facility**"). The Caixa Authorised Loan Facility is a revolving credit facility which is available to the Issuer for general corporate purposes until 6 August 2031, or such later date as further extended in accordance with the Caixa Authorised Loan Facility.

The EDC Authorised Loan Facility, CPIH Authorised Loan Facility, the National Westminster Bank Authorised Loan Facility, the Syndicated Authorised Loan Facility, the Caixa Authorised Loan Facility and the EIB Authorised Loan Facility are together referred to as the "**Authorised Loan Facilities**".

Drawings under the Authorised Loan Facilities are subject to various conditions precedent as set out therein, including that no Event of Default or Potential Event of Default is subsisting and each repeating representation is correct at the time of requesting and making the drawing.

Interest accrues on any drawing under the Authorised Loan Facilities (other than the EIB Authorised Loan Facility) is calculated at a daily rate by reference to SONIA plus a margin and mandatory costs. Interest accrues on any drawing under the EIB Authorised Loan Facility by reference to the base rate as specified therein, plus a margin and such interest is subject to indexation in accordance with RPI or certain successor

price indices, as the case may be. Interest accrues on any drawing under the Syndicated Authorised Loan Facility is affected by the credit rating of the Issuer.

The Issuer gave representations and warranties, covenants and undertakings to the Authorised Credit Providers on terms as set out, respectively, in the Common Terms Agreement.

The Events of Default under the Common Terms Agreement apply under the Authorised Loan Facilities (see Chapter 6.5, "*Common Terms Agreement*" above).

The ability of the Authorised Credit Providers to accelerate any sums owing to them under the Authorised Loan Facility upon or following the occurrence of an Event of Default thereunder is subject to the STID.

The Issuer may enter into further Authorised Credit Facilities on terms similar to those in the Authorised Loan Facilities. Each additional Authorised Credit Provider will be given the benefit of the Security and will be required to accede to the STID and the CTA.

6.9.3 The Liquidity Facilities

There are four Liquidity Facilities in place, the Debt Service Reserve Liquidity Facilities (as defined below) and the O&M Reserve Facility (as defined below), each of which are maintained by the Issuer. The proceeds of the Liquidity Facilities are on-lent to Anglian Water under the Intercompany Loan Arrangements.

The Issuer has entered into agreements (each a "**Debt Service Reserve Liquidity Facility Agreement**"), with the Liquidity Facility Providers, establishing liquidity facilities (each a "**Debt Service Reserve Liquidity Facility**"). The Issuer has established Debt Service Reserve Liquidity Facilities in connection with Bonds and other debt issued and incurred.

Under the terms of the Class A Debt Service Reserve Liquidity Facility Agreement, one or more Liquidity Facility Providers provide a 364-day commitment in an aggregate amount specified in the Class A Debt Service Reserve Liquidity Facility Agreement and under the terms of the Liquidity Facility Guarantees, AG and AGUK provide a liquidity guarantee, in each case to permit drawings to be made by the Issuer, in circumstances where Anglian Water has or will have insufficient funds available on a Payment Date to pay scheduled interest under the Intercompany Loan Arrangements, to enable the Issuer to make payments due on a Series of Bonds or other Senior Debt (a "**Liquidity Shortfall**").The Issuer has also entered into agreements (each an "**O&M Reserve Facility Agreement**") with one or more Liquidity Facility Providers establishing liquidity facilities (each an "**O&M Reserve Facility**") proceeds of which are on-lent to Anglian Water to meet Anglian Water's operating and capital maintenance expenditure requirements to the extent that Anglian Water has insufficient funds available to it to meet these requirements.

Under the terms of the O&M Reserve Facility, one or more Liquidity Facility Providers provide a 364-day commitment in an aggregate amount specified in each such agreement.

Each Liquidity Facility Provider must be a lender or financial institution which as at the relevant Issue Date has (i) the Minimum Short-term Rating or such other short-term

rating requirements (if any) in order to support the then current ratings of the Bonds of not less than two of the Ratings Agencies and/or (ii) a Minimum Long-term Rating at a level of at least "A" from Fitch and S&P and at least "A2" from Moody's from at least two of the Rating Agencies (the "**Liquidity Facility Requisite Ratings**").

The Liquidity Facility Provider may be replaced at any time provided that such Liquidity Facility Provider is replaced by a lender or financial institution with the Liquidity Facility Requisite Ratings and all amounts outstanding to such Liquidity Facility Provider are repaid in full.

Each Debt Service Reserve Liquidity Facility Agreement provides that amounts repaid by the Issuer may be redrawn.

Under the Class A Debt Service Reserve Liquidity Facility Agreement and the O&M Reserve Facility Agreement, each Liquidity Facility Agreement provides that if (i) at any time the rating of the relevant Liquidity Facility Provider falls below the Liquidity Facility Requisite Ratings or (ii) the relevant Liquidity Facility Provider does not agree to renew such Liquidity Facility prior to the expiry of the 364-day period, the Issuer will:

(a) use all reasonable endeavours to replace the relevant Liquidity Facility Provider with a party having the Liquidity Facility Requisite Ratings (whether by way of novation of the relevant Liquidity Facility Agreement or by entering into a new Liquidity Facility Agreement with a party having the Liquidity Facility Requisite Ratings); 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 relevant Liquidity Account or other such agreed account to which such Liquidity Facility relates, an amount equal to the affected party's undrawn commitment under such Liquidity Facility (a "**Standby Drawing**").

If the Issuer does not request a renewal of the Liquidity Facility from the relevant Liquidity Facility Provider, (i) above will not apply.

Unless otherwise agreed by the Issuer, the Security Trustee and each Financial Guarantor:

(a) liquidity in respect of Class A Debt will be applied in making payments in respect of Class A Debt only; and

(b) amounts repaid under the Class A Debt Service Reserve Liquidity Facility provide liquidity for Class A Debt to the extent necessary to ensure that the amount available under the Class A Debt Service Reserve Liquidity Facilities providing liquidity for Class A Debt and the amount standing to the credit of the Class A Debt Service Reserve Account equals the next 12 months' interest forecast on Class A Debt.

The Standby Drawing will generally be repayable only if the relevant Liquidity Facility Provider is re-rated with the Liquidity Facility Requisite Ratings 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 ratings downgrade of the Bonds from the relevant Rating Agencies. The proceeds of the Standby Drawing will be placed in an Account over which security has been granted pursuant to the terms of the Security Agreement.

Interest accrues on any drawing (including a Standby Drawing) made under the Liquidity Facility provided by the relevant Liquidity Facility Provider at a reference rate per annum plus a margin. Under the Liquidity Facility Agreements, the Issuer is also 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. Drawings under any further Liquidity Facilities will accrue interest subject to the specific terms of the relevant Liquidity Facility Agreement.

The Liquidity Facility Guarantees contain the following provisions:

(a) The Liquidity Facility Guarantees guarantee the amounts required to make full and complete payments to meet payment obligations in relation to the Class A Debt, in the event that there is a shortfall of amounts available for such payment obligations to be made. The amounts guaranteed are pro rated with 85 per cent of the payments guaranteed by AG and 15 per cent of the payments guaranteed by AGUK.

(b) The amounts guaranteed under the Liquidity Facility Guarantees are provided pro rata by reference to the Class A Debt Service Reserve Liquidity Facility, such that the amounts the Liquidity Facility Provider makes available under the Liquidity Facility Guarantees are calculated as a fraction equal to the available commitment over the aggregate of all available amounts under all of the Debt Service Reserve Liquidity Facility Agreements.

(c) If at any time the rating of the Liquidity Facility Provider falls below the Liquidity Facility Requisite Ratings, AWS and the relevant DSR Liquidity Facility Provider must use reasonable endeavours (for a period of 25 Business Days from the date notification is received of the loss of the Liquidity Facility Requisite Rating) to persuade such Rating Agency to re-confirm the Liquidity Facility Requisite Rating. If the relevant Rating Agency does not re-confirm the Liquidity Facility Requisite Rating within such 25 Business Day period, the Issuer and AWS may elect to terminate the Liquidity Facility Guarantees. A loss of the Liquidity Facility Requisite Ratings does not preclude the Issuer from making a funding request under the Liquidity Facility Guarantees and the Liquidity Facility Provider may not refuse to make payments as a result of a loss of the Liquidity Facility Requisite Ratings.

(d) If certain events of default in relation to the Beneficiaries are continuing, the Liquidity Facility Providers may, by written notice to the Issuer and AWS, declare the amounts owing by the Issuer and AWS as immediately due and payable and/or determine that the Liquidity Facility Guarantees shall be terminated.

(e) The Issuer and AWS may terminate the Liquidity Facility Guarantees at any time by providing at least 10 days' written notice to the Liquidity Facility Provider, provided that all amounts due and payable under the Liquidity Facility Guarantees are paid in full.

(f) On the occurrence of any of the following events, the Issuer and AWS are entitled to terminate the Liquidity Facility Guarantees without the payment of any fees or make-whole payments that may be due and outstanding:

(i) if the ranking and status of the Liquidity Facility Providers in the payment priorities have been challenged by any beneficiary or the Security Trustee on the instruction of the Majority Creditors (a 'Challenge Event');

(ii) if the Liquidity Facility Providers determine that, as a result of a change in applicable law, governmental or rating agency rule, regulation or request concerning capital adequacy or similar requirements, there will be an increase in the amount of capital reserve or similar requirement that the Liquidity Facility Providers will be expected to maintain (an 'Increased Costs Event');

(iii) if the Liquidity Facility Providers are required to gross-up any payment to be made under or pursuant to a Finance Document (a 'Tax Event'); or

(iv) if any force majeure event or governmental act prevents the Liquidity Facility Providers from performing their obligations under the Liquidity Facility Guarantees (a 'Force Majeure Event').

(g) The Liquidity Facility Guarantees have a term of five years which can be extended by agreement between the Issuer, AWS and the Liquidity Facility Provider. The Issuer and AWS may request to extend the maturity date of the Liquidity Facility Guarantee no earlier than three months and no later than one month prior to the anniversary of the effective date of the Liquidity Facility Guarantee. If the Liquidity Facility Provider declines the request, the Issuer and AWS shall arrange a Replacement DSR Liquidity Facility Agreement. The original AG Guarantees will terminate upon arrangement of such Replacement DSR Liquidity Facility Agreement, provided that all amounts due to be reimbursed to the Liquidity Facility Providers have been paid in full.

(h) The amount available under the Liquidity Facility Guarantees may be extended by agreement between the Issuer, AWS and the Liquidity Facility Providers. Under each Debt Service Reserve Liquidity Facility Agreement, 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.

6.10 Hedging Agreements

6.10.1 Hedging Policy

The Hedging Policy provides that the Anglian Water Services Financing Group must enter into Hedging Agreements in accordance with an agreed Hedging Policy and that the only member of the Anglian Water Services Financing Group that may enter into Hedging Agreements is the Issuer, provided that the Issuer may enter into back-to-back swap arrangements with Anglian Water in respect of Hedging Agreements entered into by the Issuer to hedge the obligations of Anglian Water under the Existing Finance Lease or which are otherwise not directly linked to the raising of new debt under an Authorised Credit Facility. The Hedging Policy, *inter alia*, requires that the Anglian Water Services Financing Group enter into appropriate hedging instruments (with hedge counterparties with appropriate credit ratings) to limit their exposure to currency and interest rate fluctuations and to inflation to a prudent level and does not regulate any AWS Derivative Transaction entered into by AWS pursuant to paragraph 20(a)(ii) of Part 3 (*General Covenants*) of Schedule 5 (*Covenants*) of the CTA, which shall be regulated by the AWS Derivative Policy (as set out at Schedule 8A of the CTA (*AWS Derivative Policy and Overriding Provisions relating to AWS Derivative Transactions*). It further requires that all Hedging Agreements are entered into or novated under an agreement in the form of the 1992 ISDA Master Agreement (Multicurrency – Cross Border) (an "**ISDA Master Agreement**") and that the Hedging Agreements provide, *inter alia*, for "*two way payments*" or payments under the "*Second Method*" in the event of an early termination and set out the circumstances in which a Hedge Counterparty may designate an Early Termination Date (as defined in the relevant Hedging Agreement) with respect to the relevant Hedging Agreement. If an Early Termination Date occurs in circumstances where both the interest rate hedging transactions and currency hedging transactions are being terminated, amounts payable under interest rate hedging transactions and currency hedging transactions will be treated separately to enable the Issuer to comply with the Payment Priorities. The Anglian Water Services Financing Group is prohibited from entering into hedging transactions for the purpose of speculation or otherwise than in accordance with the agreed Hedging Policy. The Hedging Policy may only be amended by agreement between the Security Trustee and Anglian Water. Subject to such agreement being reached, the Hedging Policy will be reviewed from time to time by the Anglian Water Services Financing Group and amended (subject to Entrenched Rights and Reserved Matters and in accordance with provisions of the STID) as appropriate in accordance with market developments, Good Industry Practice and regulatory developments.

6.10.2 Hedging Agreements

Hedge Counterparties are obliged to make payments under the Hedging Agreements without any withholding or deduction of taxes, unless required by law. If any such withholding or deduction is required by law, the Hedge Counterparties are required to pay any such additional amount as is necessary to ensure that the net amount received by the Issuer is equal to the full amount the Issuer would have received had no such deduction or withholding been required. The Issuer makes payments under the Hedging Agreements subject to any withholding or deduction of taxes required by law, but is not required to pay any additional amount to any Hedge Counterparty in respect thereof.

However, in either case, if a withholding or deduction is required due to any action by a taxing authority, or change in tax law after the date on which a transaction is entered into, which cannot be avoided, the Hedge Counterparty may terminate the relevant Hedging Agreement.

The Issuer has the right to terminate a Hedging Agreement, in certain circumstances, relating to the relevant Hedge Counterparty (or, if applicable, any Credit Support Provider or Specified Entity (as defined in the relevant Hedging Agreement) relating to it) including: a failure to pay amounts when due; the occurrence of an insolvency event; a breach of a term of the Hedging Agreement or any Credit Support Document (as defined in the relevant Hedging Agreement); a merger without assumption; a default under a Specified Transaction (as defined in the relevant Hedging Agreement); and in the event of Illegality (as defined in the relevant Hedging Agreement).

Other than in certain limited circumstances (set out in paragraphs 9 and 21 of Schedule 8 of the CTA), each Hedge Counterparty's rights to terminate its Hedging Agreement are limited to the following circumstances: (i) a failure by the Issuer to make payments under the Hedging Agreement when due; (ii) certain insolvency-related events with respect to the Issuer; (iii) Illegality (as defined in the relevant Hedging Agreement); (iv) where either the Hedge Counterparty or the Issuer is required to withhold for tax, which cannot be avoided (**"Tax Event"** as defined in the Hedging Agreements); and (v) a Standstill Period has ended otherwise than in accordance with Clause 13.4(a)(iii) of the STID (and in this event, termination will be automatic).

Pursuant to paragraph 21 of Schedule 8 to the CTA, but only in respect of any Hedging Agreements entered into before the Effective Date or Hedging Agreements entered into on the Effective Date which replace such Hedging Agreements, the Hedge Counterparties are entitled to exercise any right they may have to terminate such Hedging Agreement pursuant to any break clause or right of optional early termination contained in that Hedging Agreement (but not, for the avoidance of doubt, an Event of Default, Tax Event Upon Merger or Credit Event Upon Merger (as such terms are defined in the Hedging Agreement) or as a result of a change in the Instrument of Appointment or in the regulatory status of Anglian Water) provided that:

(i) no Default is continuing or would result from such termination; and

(ii) all amounts payable by the Issuer as a result of such termination are capable of being paid out of existing revenues of the Anglian Water Services Financing Group or otherwise out of Permitted Financial Indebtedness.

The Hedging Policy provides that the Issuer may enter into Treasury Transactions with Hedge Counterparties where each relevant Hedge Counterparty has the right to terminate the relevant Treasury Transaction on the tenth anniversary of the effective date of such Treasury Transaction and thereafter no more frequently than at five yearly intervals provided that such right of termination is exercised in accordance with paragraph 9 of Schedule 8 to the CTA. The Issuer has not and will not enter into any Treasury Transactions for a period in excess of 10 years other than to the extent that at any date the aggregate notional amount and/or currency amounts (as applicable) of relevant Treasury Transactions to which the Issuer is a party and which have unexpired

terms in excess of 10 years would not exceed an amount equal to 15 per cent. of RCV in each case as computed in accordance with the Hedging Policy.

Each Hedge Counterparty is a party to (or has acceded to) the STID and the CTA and its rights (including, in particular, its rights to receive any termination payment) are subject thereto. Accordingly, any termination payment will be paid to a Hedge Counterparty in accordance with the cash management arrangements set out in the CTA and summarised in Chapter 6.6, "*Cash Management*".

In the event that the short-term unsecured and unsubordinated debt obligations of a Hedge Counterparty (or its successor, assignee or transferee) or of its Credit Support Provider (as defined in the relevant Hedging Agreement) (or the successor, assignee or transferee of any such Credit Support Provider) cease to be rated at least as high as P-1 by Moody's or A-1 or F-1 by Fitch and, as a result of such downgrade, the then current rating of the Class A Unwrapped Bonds (or if no Class A Unwrapped Bonds are outstanding, the then current shadow rating of the Class A Wrapped Bonds) is downgraded or placed under review for possible downgrade by the Rating Agencies, then the relevant Hedge Counterparty will either: (i) provide collateral for its obligations, (ii) arrange for its rights and obligations under the relevant Hedging Agreement to be transferred to an appropriate third party with the required credit ratings; (iii) arrange for the appointment of a co-obligor in respect of the obligations of the relevant Hedge Counterparty or take such other action as will result in the rating of the relevant Bonds then outstanding following the taking of such action being rated no lower than the rating of the relevant Bonds immediately prior to such downgrade; or (iv) take such other action that will result in the rating of the relevant Bonds being maintained or restored to the level they would have been at immediately prior to such downgrade. If the relevant Hedge Counterparty does not take the measures described above, such failure shall constitute an Additional Termination Event with respect to the relevant Hedge Counterparty. The Issuer and the Security Trustee shall endeavour to put into place credit support documentation as may satisfy the Rating Agencies with respect to the operation and management of the collateral provided pursuant to (i) above and enter into such documents as may reasonably be requested by the relevant Hedge Counterparty in connection with the provision of such collateral.

Notwithstanding any other provision of schedule 8 of the CTA but without prejudice to paragraph 13 of schedule 8 of the CTA, if a Permitted Exchange or Permitted Tender of non-sterling denominated Bonds has reduced the currency risk of the Anglian Water Services Financing Group in respect of non-sterling denominated debt instruments, the Anglian Water Services Financing Group shall either (a) terminate any relevant existing Currency Hedging Agreement (in whole or in part) in accordance with (i) the terms of the CTA and the STID and (ii) either the terms of such Currency Hedging Agreement or consensually by the parties thereto, (b) enter into a further Currency Hedging Agreement to off-set (in whole or in part) such Currency Hedging Agreement or (c) modify any existing Currency Hedging Agreement in accordance with (i) the terms of the CTA and the STID and (ii) either the terms of such Currency Hedging Agreement or consensually by the parties thereto ((a), (b) and (c), together or separately the "**FX Swap Modification**"), provided that:

(i) the effect of a FX Swap Modification shall be that the Anglian Water Services Financing Group would no longer be overhedged as a result of reduced currency risk in respect of non-sterling currency denominated debt instruments that have been redeemed, exchanged or cancelled pursuant to such Permitted Exchange or Permitted Tender;

(ii) to the extent that a FX Swap Modification is funded from the proceeds of Financial Indebtedness, is by way of entry into of a further Currency Hedging Agreement or is by way of modification of a Currency Hedging Agreement (the portion of such Financial Indebtedness the proceeds of which are used to fund such FX Swap Modification or the liabilities of the Anglian Water Services Financing Group in respect of such further Currency Hedging Agreement or modified Currency Hedging Agreement, the "**FX Swap Modification Liabilities**"):

(a) such FX Swap Modification Liabilities shall rank *pari passu* with, or junior to, the Currency Hedging Agreement that is the subject of the FX Swap Modification; and

(b) the Tenor of such FX Swap Modification Liabilities shall be no shorter than the Termination Date (as defined in the relevant Currency Hedging Agreement). For the purposes of this paragraph (ii)(b), "**Tenor**" means the earliest of:

(i) the date of legal maturity of such FX Swap Modification Liabilities;

(ii) in the case of such FX Swap Modification Liabilities being Bonds, the date on which the Issuer, as issuer of such Bonds, may exercise any early redemption option in accordance with the Conditions of such FX Swap Modification Liabilities; and

(iii) in the case of such FX Swap Modification Liabilities being Bonds, the date that such FX Swap Modification Liabilities would, in the ordinary course, be expected to be repaid in full as a result of a scheduled increase in margin or coupon or other extraordinary payment being required to keep such FX Swap Modification Liabilities outstanding;

(iii) such FX Swap Modification shall be conducted as soon as commercially practicable for the Anglian Water Services Financing Group and no later than a period of 30 Business Days after the completion of the relevant Permitted Exchange or relevant Permitted Tender; and

(iv) no Trigger Event, no Event of Default and no Potential Event of Default would, taking into consideration the relevant Permitted Exchange or Permitted Tender, occur as a result of such FX Swap Modification.

6.11 Other Transaction Documents

6.11.1 Account Bank Agreement

Pursuant to the Account Bank Agreement, the Account Bank agreed to hold the Accounts and operate them in accordance with the instructions of the Cash Manager. The Cash Manager manages the Accounts on behalf of the Anglian Water Services Financing Group pursuant to the Common Terms Agreement (see Chapter 6.6, "*Cash Management*" above).

6.11.2 Tax Deed of Covenant

Under the terms of the original Tax Deed of Covenant entered into on 30 July 2002 (the "**Original Tax Deed of Covenant**"), each Obligor gave certain representations and covenants as to its tax status and to the effect that it had not taken and, save in certain permitted circumstances, would not take any steps which might reasonably be expected to give rise to a liability to tax for an Obligor which is primarily the liability of another person. AWG plc (now known as AWG Parent Co Limited) covenanted and represented that it had not taken and would not take any steps that might cause the Obligors to breach such covenants and representations.

Following the acquisition of AWG Parent Co Limited (then known as AWG plc) by Osprey, each of the parties to the Original Tax Deed of Covenant, AWGL (then known as Osprey Jersey Holdco Limited), Osprey Holdco Limited and Osprey (each of Osprey Holdco Limited and Osprey being a wholly-owned, direct and indirect (respectively), subsidiary of AWGL and, together with AWG plc (now known as AWG Parent Co Limited) and AWGL the "**Tax Deed Covenantors**") entered into the first replacement tax deed of covenant on 7 December 2006 (the "**First Replacement Tax Deed of Covenant**") which, with effect from 7 December 2006, replaced the Original Tax Deed of Covenant on substantially the same terms as the Original Tax Deed of Covenant. Under the First Replacement Tax Deed of Covenant certain of the obligations of AWG plc (now known as AWG Parent Co Limited) under the Original Tax Deed of Covenant are instead assumed by the Tax Deed Covenantors or by AWGL. In addition, there are provisions that require AWG plc (now known as AWG Parent Co Limited) to indemnify the other Tax Deed Covenantors against any liability they may incur as a result of breaches of the covenants and representations given by the Obligors which refer to events occurring on or before 7 December 2006.

With a view to avoiding a liability to tax for an Obligor which is primarily the liability of another person, the Tax Deed Covenantors and each Obligor under the First Replacement Tax Deed of Covenant incur certain obligations in relation to specified disposal events and any change in tax residence of the Obligors. For example, the First Replacement Tax Deed of Covenant provides that if (other than in compliance with an obligation the Obligor incurs under a Finance Document or in respect of any disposal by an Obligor required in connection with the Permitted Reorganisation) an Obligor intends to dispose of any of its material assets to another person, Osprey's parent company can be required, as a condition of that disposal, to deposit an amount in a trust account equal to the estimated tax liability (if any) arising or likely to arise in the Obligor as a result of the disposal. The money deposited could then be used to pay the tax liability of the Obligor if the Obligor failed to pay the liability itself.

6.11.3 Deed of Indemnity

In connection with the aim to avoid a liability to tax for an Obligor which is primarily the liability of another person, following the acquisition of AWG Parent Co Limited (then known as AWG plc) by Osprey, each of the Covenantors has agreed, pursuant to the Deed of Indemnity entered into on 7 December 2006 in connection with the acquisition, that in the event that any Obligor is or becomes liable in respect of UK tax for which any member or a former member of that Covenantor's group is primarily liable, the Covenantor shall, among others things, discharge such tax liability and/or indemnify such Obligor against any amounts paid by it in respect of such tax liability.

Anglian Water had established a Tax Reserve Account and the Tax Deed Covenantors have agreed to procure that the requisite balance is maintained in the Tax Reserve Account in addition (to the extent necessary) to procuring letters of credit (each a "**Letter of Credit**") and/or tax reserve guarantees (each a "**Tax Reserve Guarantee**") with an aggregate total value at all times at least equal to £100 million (of which at least £40 million must consist of cash balances in the Tax Reserve Account and/or certain permitted investments). The Tax Reserve Account, drawings under the Letter(s) of Credit and/or calls under any Tax Reserve Guarantee may be used to meet UK tax liabilities of the Obligors arising in the circumstances described above. See also Chapter 6.6.9, "*Cash Management — Tax Reserve Account*" above.

6.11.4 Class B Deed Poll

Pursuant to the terms of the Class B Deed Poll and notwithstanding the ability to incur class B debt in accordance with the terms of the other Finance Documents, the Issuer and AWS each undertakes to the Security Trustee (for the benefit of all the Secured Creditors) that, on and from the date of the Class B Deed Poll, none of them will issue, raise, borrow or otherwise be a debtor in respect of any new class B debt at any time following the date of the Class B Deed Poll (the "**Class B Debt Incurrence Restriction**").

In addition, AWS agrees in the Class B Deed Poll to further calculate and include in each Compliance Certificate (in addition to the ratios required to be provided pursuant to the CTA) the following ratios (the "**Additional Financial Covenants**") which are to be calculated as at each Calculation Date:

(i) the Additional Senior RAR for any Test Period is or is estimated to be more than 0.75:1;

(ii) the Additional Conformed Senior PMICR for any Test Period is or is estimated to be less than 1.3:1; and

(iii) the Additional Conformed Senior Average PMICR is or is estimated to be less than 1.4:1,

where:

"**Additional Senior RAR**" means the ratio of Senior Net Indebtedness to RAV;

"**Additional Conformed Senior PMICR**" means the ratio of Net Cash Flow less the greater of (a) Depreciation and (b) Capital Maintenance Expenditure for each Test Period to Senior Debt Interest for the same Test Period; and

"**Additional Conformed Senior Average PMICR**" means the sum of the ratios of Net Cash Flow less the greater of (a) Depreciation and (b) Capital Maintenance Expenditure to Senior Debt Interest for each of the Test Periods comprised in a Rolling Average Period divided by three.

AWS also agrees in the Class B Deed Poll that, at any time where the ratios set out in the Additional Financial Covenants are not met, it shall not make any Restricted Payments other than to the extent such Restricted Payment is made to another Obligor where such Obligor agrees that it will not make a subsequent Restricted Payment to a person which is not an Obligor, using such monies.

6.11.5 AMTN Programme

The Issuer has established a separate medium term note programme for the issuance of notes denominated in Australian dollars (the "**AMTN Programme**"). The note trustee under the AMTN Programme (acting as trustee for and representative of the holders of the AMTN Notes) is a Secured Creditor under the STID.

CHAPTER 7
FORM OF THE BONDS

The Bonds of each Series will be in either bearer form, with or without interest coupons ("**Coupons**") attached, or in registered form, without interest coupons attached. Bearer Bonds will be issued outside the United States in reliance on Regulation S and Registered Bonds will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act.

Bearer Bonds

Each Tranche of Bearer Bonds will be initially issued in the form of either a Temporary Bearer Global Bond or Permanent Bearer Global Bond as indicated in the applicable Final Terms. If the Global Bonds are stated in the applicable Final Terms to be issued in NGN form, (i) the Global Bonds will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper and (ii) the relevant clearing systems will be notified whether or not such Global Bonds are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Bonds with the Common Safekeeper does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the ECB that the Eurosystem eligibility criteria have been complied with. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg as indicated in the applicable Final Terms.

Global Bonds which are issued in CGN may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Bond is in CGN form, upon the initial deposit of a Global Bond with a Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Bonds equal to the nominal amount thereof for which it has subscribed and paid. If the Global Bond is in NGN form, the nominal amount of the Bonds shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Bonds represented by the Global Bond and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time. Whilst any Bearer Bond is represented by a Temporary Bearer Global Bond and subject to TEFRA D selling restrictions, payments of principal, interest (if any) and any other amount payable in respect of the Bonds due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Bond if the Temporary Bearer Global Bond is not intended to be issued in NGN form, only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Bond is issued, interests in such Temporary Bearer Global Bond will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Bond of the same Series or (ii) for definitive Bearer Bonds of the same Series with, where applicable, Coupons and Talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive

Bearer Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Bonds. The holder of a Temporary Bearer Global Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Bond for an interest in a Permanent Bearer Global Bond or for definitive Bearer Bonds is improperly withheld or refused.

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

The applicable Final Terms will specify that a Permanent Bearer Global Bond will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Bonds with, where applicable, Coupons and Talons attached upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as set out in Schedule 7 of the Common Terms Agreement (as defined in Chapter 8, "*Terms and Conditions of the Bonds*")) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the Permanent Bearer Global Bond in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Bond Trustee. The Issuer will promptly give notice to Bondholders in accordance with Condition 17 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Permanent Bearer Global Bonds and definitive Bearer Bonds which have an original maturity of more than one year and which are subject to TEFRA D selling restrictions and on all interest Coupons and Talons relating to such Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Bonds or interest Coupons or Talons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bonds or interest coupons or Talons.

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

In the event that a Global Bond is exchanged for definitive Bonds, such definitive Bonds shall be issued in Specified Denomination(s) only. Bondholders who hold Bonds in the relevant clearing system in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant Exchange Date, a principal amount of Bonds such that their holding is an integral multiple of a Specified Denomination. If the Global Bond is in NGN form, the details of such exchange shall be entered pro rata into the relevant clearing system.

In the event that Global Bonds are exchangeable for Definitive Bonds in circumstances other than the limited circumstances specified in the Global Bonds, such Global Bonds shall be issued in Specified Denomination(s) only. A Bondholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Bond in respect of such holding and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more Specified Denominations.

Registered Bonds

The Registered Bonds of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global bond in registered form, without Coupons, (a "**Regulation S Global Bond**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Bonds, beneficial interests in a Regulation S Global Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Bond will bear a legend regarding such restrictions on transfer.

The Registered Bonds of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**"QIBs"**) or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7)) under the Securities Act that are institutions ("**Institutional Accredited Investors**") who agree to purchase the Bonds for their own account and not with a view to the distribution thereof. The Registered Bonds of each Tranche sold to QIBs will be represented by a global bond in registered form (a "**Rule 144A Global Bond**" and, together with a Regulation S Global Bond, the "**Registered Global Bonds**").

Registered Global Bonds will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC, (ii) be deposited with a common depositary for, and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg or (iii) deposited with CDS Clearing and Depository Services Inc. ("**CDS**") and registered in the name of a nominee of CDS, as specified in the applicable Final Terms. Persons holding beneficial interests in Registered Global Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Bonds in fully registered form.

The Registered Bonds of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("**Definitive IAI Registered Bonds**"). Unless otherwise set forth in the applicable Final Terms, Definitive IAI Registered Bonds will be issued only in minimum specified denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Bonds will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described in Chapter 15, "*Subscription and Sale and Transfer and Selling Restrictions*". The Rule 144A Global Bond and the Definitive IAI Registered Bonds will be

subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions. Each Tranche of USPP Bonds (whether they are Exempt Bonds or not) will be in the form of Definitive IAI Registered Bonds.

Payments of principal, interest and any other amount in respect of the Registered Global Bonds will, in the absence of provision to the contrary, be made to the person(s) shown on the Register (as defined in Condition 7) as the registered holder(s) of the Registered Global Bonds. None of the Obligors, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Global Bonds and the Registered Bonds in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register as further described in Condition 7(d).

Interests in a Registered Global Bond will be exchangeable (free of charge), in whole but not in part, for definitive Registered Bonds without Coupons or Talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) an Event of Default has occurred and is continuing; (ii) in the case of Bonds registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; (iii) in the case of Bonds registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available; (iv) in the case of Bonds registered in the name of a nominee for CDS, CDS has notified the Issuer that it is unwilling or unable to continue to act as a depository for the Bonds and a successor depository is not appointed by the Issuer within 90 working days after receiving such notice; or CDS ceases to be a recognised clearing agency under applicable Canadian or provincial securities legislation and no successor clearing system satisfactory to the Issuer is available within 90 working days after the Issuer becoming aware that CDS is no longer so recognised; or (v) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Bonds represented by the Registered Global Bond in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Bond Trustee. The Issuer will promptly give notice to Bondholders in accordance with Condition 17 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear, Clearstream, Luxembourg and/or CDS (acting on the instructions of any holder of an interest in such Registered Global Bond) or the Bond Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (v) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Bond and Definitive IAI Registered Bonds may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Bonds in the form of an interest in a Registered

Global Bond. No beneficial owner of an interest in a Registered Global Bond will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Bonds are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see Chapter 15, "*Subscription and Sale and Transfer and Selling Restrictions*".

General

Pursuant to the Agency Agreement (as defined in Chapter 8, "*Terms and Conditions of the Bonds*"), the Principal Paying Agent shall arrange that, where a further Tranche of Bonds is issued which is intended to form a single Series with an existing Tranche of Bonds at a point after the Issue Date of the further Tranche, the Bonds of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Bonds of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period applicable to the Bonds of such Tranche.

For so long as any of the Bonds is represented by a Global Bond held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Obligors and their agents as the holder of such nominal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Bonds, for which purpose the bearer of the relevant Bearer Global Bond or the registered holder of the relevant Registered Global Bond shall be treated by the Obligors and their agents as the holder of such nominal amount of such Bonds in accordance with and subject to the terms of the relevant Global Bond and the expressions "Bondholder" and "holder of Bonds" and related expressions shall be construed accordingly.

So long as DTC or its nominee is the registered owner or holder of a Registered Global Bond, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Bonds represented by such Registered Global Bond for all purposes under the Bond Trust Deed, the Agency Agreement and such Bonds except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

So long as CDS or its nominee is the registered owner or holder of a Registered Global Bond, CDS or such nominee, as the case may be, will be considered the sole owner or holder of the Bonds represented by such Registered Global Bond for all purposes under the Bond Trust Deed, the Agency Agreement and such Bonds except to the extent that in accordance with CDS's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Any reference herein to Euroclear and/or Clearstream, Luxembourg, CDS and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

So long as the Bonds are represented by a temporary Global Bond or permanent Global Bond and the relevant clearing system(s) so permit, the Bonds shall be tradeable only in principal amounts

of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided hereon.

Form of Final Terms

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS - The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (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 UNITED KINGDOM RETAIL INVESTORS - The Bonds are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

[**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer['s/s'] target market assessment; however,

a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA") - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Bonds as [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [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).[56]]

Final Terms dated [●]

ANGLIAN WATER SERVICES FINANCING PLC

Legal Entity Identifier (LEI): 213800DL377MH46PDY63

Issue of [Aggregate Nominal Amount of Tranche] [Title of Bonds]

unconditionally and irrevocably

guaranteed by, *inter alios,* ANGLIAN WATER SERVICES LIMITED

under the €20,000,000,000

Global Secured Medium Term Note Programme

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated 13 October 2026 [and the supplemental Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (the "**PRM**"). This document constitutes the Final Terms of the Bonds described herein for the purposes of the PRM and must be read in conjunction with such Prospectus [as so supplemented] in order to obtain all the relevant information. [The Prospectus [and the supplemental Prospectus] [has] [have] been published on the Issuer's website at *www.anglianwater.co.uk*.]

[The Bonds and the guarantees in respect thereof 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. Subject to certain exceptions, the Bonds may not be offered or sold 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 have not been and will not be registered under the U.S.

[5] Legend to be included on front of the Final Terms if the Issuer needs to re-classify the Bonds as "capital markets products other than prescribed capital markets products" and "Specified Investment Products" pursuant to Section 309B of the SFA and the Bonds are to be offered in Singapore. Relevant Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

[6] Relevant Dealer(s) to consider whether it/they have received the necessary Singapore product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

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. The Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered or sold or 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**") or as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.]

[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 [original date] and incorporated by reference into the Prospectus dated 13 October 2026 [and the supplemental Prospectus dated [●]]. This document constitutes the Final Terms of the Bonds described herein for the purposes of the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (the "**PRM**") [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the PRM in order to obtain all the relevant information, including the Conditions incorporated by reference in the Prospectus. [The Prospectus [and the supplemental Prospectus] have been published on the Issuer's website at www.anglianwater.co.uk.]

1.	(i)	Issuer:	Anglian Water Services Financing Plc
	(ii)	Obligors:	Anglian Water Services Limited, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●] [Not applicable/The Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [●]/the Issue Date/exchange of the Temporary Global Bond for interests in the Permanent Global Bond, as referred to in paragraph 24 below [which is expected to occur on or about ●]]].]
	(iii)	[Nature of Bonds:	USPP Bonds] Deferred Funding Date is [Applicable/Not Applicable]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount of Bonds admitted to trading:		Series: [●] Tranche: [●]
5.	Issue Price of Tranche:		[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]].
6.	Specified Denominations:		[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Bonds in definitive form will be issued with a denomination above [●]]
7.	(i)	Issue Date:	[●]

	(ii) Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
8.	(i) Maturity Date:	[[●]/Interest Payment Date falling in or nearest to [●]]
	(ii) Instalment Dates	[[●]/Not Applicable]
9.	Interest Basis:	[[●] per cent. Fixed Rate][, subject to the Step Up Option] [[SONIA/EURIBOR] +/- [●] per cent. Floating Rate][, subject to the Step Up Option] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest]
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [US Change of Control Redemption Event] [Instalment]
11.	Change of Interest Basis or Redemption/Payment Basis:	[[●]/Not Applicable]
12.	Call Options:	[Issuer Call][Issuer Maturity Call][Clean-up Call][Not Applicable][(further particulars specified below)]
13.	[Date [Board] approval for issuance of Bonds obtained:	[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Bond Provisions**	[Applicable/Not Applicable]
	(i) Rate(s) of Interest:	[The Bonds are subject to the Step Up Option]/[The Bonds are not subject to the Step Up Option] (*If the Bonds are Step Up Bonds*) [The Initial Rate of Interest is] [●] per cent. per annum [payable in arrear on each Interest Payment Date/on each Interest Payment Date] [(Further particulars specified in paragraph [19] below)]
	(ii) Interest Payment Date(s):	[[●] [and [●]] in each year up to and including the Maturity Date]
	(iii) Fixed Coupon Amount(s):	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
	(v) Day Count Fraction:	[Actual/365

		Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Actual/Actual (ICMA) Actual/Actual Canadian Compound Method]
	(vi) Determination Date[s]:	[[●] [and [●]] in each year] [Not Applicable]
	(vii) Calculation Amount:	[●]
15.	**Floating Rate Bond Provisions**	[Applicable/Not Applicable] [The Bonds are subject to the Step Up Option]/[The Bonds are not subject to the Step Up Option] [(further particulars specified in paragraph [19] below)]
	(i) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iii) Additional Business Centre(s):	[●]
	(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]
	(v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):	[●]
	(vi) Screen Rate Determination:	[Applicable][Not Applicable] – Reference Rate: [SONIA/EURIBOR] - Relevant Financial Centre: [London/Brussels/specify other Relevant Financial Centre] – Interest Determination Date(s): [●]

			– Relevant Screen Page: [●]
			– Reference Look Back Period: [●] (*The prior agreement of the Calculation Agent is required if this is to be less than five London Banking Days*.)
			– Observation Method: [●]
	(vii)	ISDA Determination:	[Applicable][Not Applicable]
			– Floating Rate Option: [●]
			– Designated Maturity: [●]
			– Reset Date: [●]
	(viii)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
	(ix)	Margin(s):	(*If the Bonds are Step Up Bonds*) [The Initial Margin is] [+/-] [●] per cent. per annum
	(x)	Minimum Rate of Interest:	[●] per cent. per annum
	(xi)	Maximum Rate of Interest:	[●] per cent. per annum
	(xii)	Day Count Fraction:	[Actual/365
			Actual/365 (Fixed)
			Actual/365 (Sterling)
			Actual/360
			30/360
			30E/360
			30E/360 (ISDA)]
16.	**Zero Coupon Bond Provisions**		[Applicable/Not Applicable]
	(i)	Accrual Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360] [Actual/360] [Actual/365]
17.	**Index Linked Interest/Redemption Bond Provisions**		[Applicable/Not Applicable]

(i)	Index/Formula:	[RPI/HICP/CPI/CPIH]
(ii)	Party responsible for calculating the principal and/or interest due:	[●]
(iii)	Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition [8(c) / 8(f)/ 8(i)] applies
(iv)	Specified Period(s)/Specified Interest Payment Dates:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(vi)	Additional Business Centre(s):	[●]
(vii)	Minimum Rate of Interest:	[●] per cent. per annum
(viii)	Maximum Rate of Interest:	[●] per cent. per annum
(ix)	Day Count Fraction:	[30/360][Actual/Actual (ICMA)]
(x)	Base Index Figure:	[●]
(xi)	Reference Gilt:	[[●]/Not Applicable]
(xii)	Settlement Date:	[[●]/Not Applicable]
(xiii)	Rate for purposes of Condition 9(d)(ii)(2)(B) where the Index is CPI or CPIH:	[[●]/Not Applicable]
(xiv)	Value of "t" for determining CPI_{m-t}, $CPIH_{m-t}$, RPI_{m-t} or $HICP_{m-t}C$ (as applicable):	[[●]/Not Applicable]
(xv)	Rate of Interest:	[[●]/Not Applicable]

18. **Dual Currency Bond Provisions** [Applicable/Not Applicable]

(i)	Rate of Exchange/ method of calculating Rate of Exchange:	[●]
(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest payable:	[●]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[[●]/Condition [8(c) / 8(f)/8(i)] applies]
(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

19. **Step Up Option**

[Applicable/Not Applicable]

(*If not applicable, delete the remaining sub- paragraphs of this paragraph*)

SPT:

Net Operational Carbon SPT(a): [Applicable/Not Applicable]

Net Operational Carbon SPT(b): [Applicable/Not Applicable]

Capital Carbon SPT(a): [Applicable/Not Applicable]

Capital Carbon SPT(b): [Applicable/Not Applicable]

Natural Household Water Abstraction SPT(a): [Applicable/Not Applicable]

Natural Household Water Abstraction SPT(b): [Applicable/Not Applicable]

Adoption SPT(a): [Applicable/Not Applicable]

PSR Adoption SPT(b): [Applicable/Not Applicable]

Additional SPT: [Applicable [*please include definition of specific Additional SPT*]/Not Applicable]

Baseline:

Net Operational Carbon Emissions Baseline: [[●], subject to such Net Operational Carbon Emissions Baseline being adjusted in good faith in accordance with Condition 6(c) (*Step Up Option*) (if applicable)/Not Applicable]

Capital Carbon Emissions Baseline: [[●], subject to such Capital Carbon Emissions Baseline being adjusted in good faith in accordance with Condition 6(c) (*Step Up Option*) (if applicable)/Not Applicable]

Natural Household Water Abstraction Baseline: [[●], subject to such Natural Household Water Abstraction Baseline being

adjusted in good faith in accordance with Condition 6(c) (*Step Up Option*) (if applicable)/Not Applicable]

PSR Adoption Baseline: [[●], subject to such PSR Adoption Baseline being adjusted in good faith in accordance with Condition 6(c) (*Step Up Option*) (if applicable)/Not Applicable]

[Any such adjustment can only be made if and to the extent that: (a) such adjustment is made and notified by the Anglian Water Group in accordance with the requirements of Condition 6(c) (*Step Up Option*); and (b) the Anglian Water Group (acting in good faith) considers this adjustment necessary to account for the occurrence of a Significant Change, which may be caused by the Anglian Water Group's Asset Management Plan 8 ("**AMP8**") 2025-30 investment programme (as actually delivered) differing from its AMP8 20252030 investment programme delivery as currently anticipated (which is based on current projections and anticipated AMP8 investment delivery, and the details of which are set out in the table below for illustrative purposes).

Current expected structure

AMP8	Total number schemes	% of total schemes by number	Total baseline tCO2e	% of total schemes by baseline
Total	[●]	[●]	[●]	[●]
Water Infrastructure	[●]	[●]	[●]	[●]
Water Non Infrastructure	[●]	[●]	[●]	[●]
Water Recycling Infrastructure	[●]	[●]	[●]	[●]
Water Recycling Non Infrastructure	[●]	[●]	[●]	[●]

]

Step Up Event:

[Net Operational Carbon SPT(a) not met / Not Applicable]

[Net Operational Carbon SPT(b) not met / Not Applicable]

[Capital Carbon SPT(a) not met / Not Applicable]

[Capital Carbon SPT(b) not met / Not Applicable]

		[Natural Household Water Abstraction SPT(a) not met / Not Applicable]
		[Natural Household Water Abstraction SPT(b) not met / Not Applicable]
		[PSR Adoption SPT(a) not met / Not Applicable]
		[PSR Adoption SPT(b) not met / Not Applicable]
		[Additional SPT not met / Not Applicable]
	Step Up Margin:	[Net Operational Carbon SPT(a) not met: [[●] per cent. per annum./Not Applicable]]
		[Net Operational Carbon SPT(b) not met: [[●] per cent. per annum./Not Applicable]]
		[Capital Carbon SPT(a) not met: [[●] per cent. per annum./Not Applicable]]
		[Capital Carbon SPT(b) not met: [[●] per cent. per annum./Not Applicable]]
		[Natural Household Water Abstraction SPT(a) not met: [[●] per cent. per annum./Not Applicable]]
		[Natural Household Water Abstraction SPT(b) not met: [[●] per cent. per annum./Not Applicable]]
		[PSR Adoption SPT(a) not met: [[●] per cent. per annum./Not Applicable]]
		[PSR Adoption SPT(b) not met: [[●] per cent. per annum./Not Applicable]]
		[Additional SPT not met: [[[●] per cent. per annum./Not Applicable]]
	Notification Date:	[15 days following the Verification Publication Date in 2025, provided that it is not later than 31 July 2025]/[15 days following the Verification Publication Date in 2030, provided that it is not later than 31 July 2030]

PROVISIONS RELATING TO REDEMPTION

20.	**Notice Periods for Condition 9(b):**	Minimum Period [●] days Maximum Period [●] days
21.	**Notice Periods for Condition 9(c):**	Minimum Period [●] days Maximum Period [●] days
22.	**Issuer Maturity Call:**	[Applicable/Not Applicable]
	(i) Issuer Maturity Call Notice Period:	Minimum Period: [●] days Maximum Period: [●] days
23.	**Issuer Call**:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●] [*If the "Issuer Maturity Call" is applicable, at any time prior to the first day of the Issuer Maturity Call Period.*]

	(ii) Optional Redemption Amount of each Bond:	[[●] per Calculation Amount] [Make-Whole Amount] [Euro Optional Redemption Price] [USD Optional Redemption Price] [CAD Optional Redemption Price] [Spens Price]
	(iii) Redemption Margin:	[[●]/Not Applicable]
	(iv) Reference Gilt:	[[●]/Not Applicable]
	(v) Reference Stock:	[[●]/Not Applicable]
	(vi) Reference Dealer:	[As selected by the Issuer at the relevant time/Not Applicable]
	(vii) Reference Treasury Dealer:	[As selected by the Issuer at the relevant time/Not Applicable]
	(viii) Reference Dealer Rate:	[[●]/Not Applicable]
	(ix) Determination Date:	[[●]/Not Applicable]
	(x) Determination Time:	[[●]/Not Applicable]
	(xi) If redeemable in part:	Minimum Redemption Amount: [●] Maximum Redemption Amount: [●]
	(xii) Notice period:	Minimum Period [●] days Maximum Period [●] days
24.	**Clean-up Call:**	[Applicable/Not Applicable]
	(i) Clean-up Call Percentage:	[75 per cent. / [●] per cent.]
	(ii) Early Redemption Amount:	[●] per Bond [of [●] Specified Denomination]
25.	(i) Final Redemption Amount of each Bond:	[●]
	(ii) Details relating to Bonds repayable in instalments:	[Applicable/Not Applicable]
	(a) Instalment Dates:	[●]
	(a) Instalment Amount:	[●]
26.	Early Redemption Amount of each Bond payable on redemption for taxation reasons or on event of	[●]

		default and/or the method of calculating the same:	

GENERAL PROVISIONS APPLICABLE TO THE BONDS

27.	(i)	Form of Bonds:	[Bearer Bonds:] [Temporary Bearer Global Bond exchangeable for a Permanent Bearer Global Bond on or after Exchange Date which is exchangeable for Definitive Bonds [only upon an Exchange Event.]] [Temporary Bearer Global Bond exchangeable for Definitive Bonds on and after the Exchange Date.] [Permanent Bearer Global Bond exchangeable for Definitive Bonds [only upon an Exchange Event].]
	(ii)	New Global Note:	[Yes][No][Not Applicable]
	(iii)	[Registered Bonds:]	[Yes / No] [Regulation S Global Bond (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/CDS/a common depositary for Euroclear and Clearstream, Luxembourg].] [Rule 144A Global Bond (U.S.$[●] nominal amount registered in the name of a nominee for [DTC/ a common depositary for Euroclear and Clearstream, Luxembourg].] [Definitive IAI Registered Bonds] (U.S.$[●] nominal amount registered in the name of a nominee for [DTC/ a common depositary for Euroclear and Clearstream, Luxembourg].]
28.		Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/[●]]
29.		Talons for future Coupons to be attached to Definitive Bearer Bonds (and dates on which such Talons mature):	[Yes. As the Bonds have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left. / No] [Not Applicable]

Signed on behalf of the Issuer:

By: [●]
Duly authorised

Signed on behalf of Anglian Water Services Limited:

By: [●]
Duly authorised

Signed on behalf of Anglian Water Services Holdings Limited:

By: [●]
Duly authorised

Signed on behalf of Anglian Water Services UK Parent Co Limited:

By: [●]
Duly authorised

Part B — Other Information

1. **Listing**

(i)	Listing:	[London / None on the Issue Date. The Issuer intends to list the Bonds in London following the Issue Date.]
(ii)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Bonds to be admitted to trading on the London Stock Exchange's main Market and listing on the Official List of the FCA with effect from [●].] [Application is expected to be made for the Bonds to be admitted to trading on the London Stock Exchange's Main Market and listing on the Official List of the FCA with effect from [●].] [None on the Issue Date. The Issuer intends to apply for the Bonds to be admitted to trading on the London Stock Exchange's Main Market and listing on the official list of the FCA following the Issue Date.]
(iii)	Estimate of total expenses related to admission to trading:	[●]
(iv)	All regulated markets or equivalent markets on which securities of the same class are already admitted to trading:	[●]

2. **Ratings**

Ratings:	[The Bonds to be issued [have been/are expected to be] rated]: [S&P: [●]] [Moody's: [●]] [Fitch: [●]]][Not Applicable]

3. **Interests of natural and legal persons involved in the offer**

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer.

[The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with and perform other services for, the Issuer [and the other Obligors] and [its/their] affiliates in the ordinary course of business.]

4. **Third Party Information**

[Relevant Third Party Information] has been extracted from [*source*].

Each of the Obligors confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

5. **[Reasons for the offer, estimated net proceeds and total expenses]**

(i)	[Reasons for the offer:]	[●] *(See Chapter 9 (Use of Proceeds) in the Prospectus)*
(ii)	[Estimated net proceeds:]	[●]
(iii)	[Estimated total expenses:]	[●]

6. **[Fixed Rate Bonds only YIELD**

Indication of yield:	[●] As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **[*Floating Rate Bonds only* –**

PERFORMANCE INTEREST RATES	Details of performance SONIA/EURIBOR rates can be obtained from [Reuters/Bloomberg/*give details of electronic means of obtaining the details of performance*].]

8. **[Index Linked Bonds only –**

PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING		[U.K. Retail Price Index (RPI) (all items) published by the Office for National Statistics] / [Non-revised index of Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (HICP)] /[U.K. Consumer Price Index (CPI) (all items) published by the Office for National Statistics] /[U.K. Consumer Price Index including owner occupiers' housing costs (CPIH) (all items) published by the Office for National Statistics]
(i)	Name of underlying index:	
(ii)	Information about the Index, its volatility and past and future performance can be obtained from:	More information on [RPI/ HICP/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/HICP/CPI/CPIH], can be found at [*www.statistics.gov.uk/www.epp.eurostat.ec.europa.eu/www.ons.gov.uk/economy/inflationandpriceindices*]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]*.

9. **[Dual currency Bonds only — PERFORMANCE OF RATE[S] OF** [●]]

EXCHANGE

10. **Operational information**

ISIN:	[●]
Common Code:	[●]

[CFI:	[Not Applicable / [See [●] as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Available]
[FISN:	[Not Applicable / [See [●] as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Available]
Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A., CDS and DTC and the relevant identification number(s):	[Not Applicable/[●]]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]
[Intended to be held in a manner which would allow Eurosystem eligibility]	[Yes. Note that the designation "yes" simply means that the Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered bonds*] and does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Bonds are capable of meeting them the Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)

		[*include this text for registered bonds*]. Note that this does not necessarily mean that the Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]
11.	**General**	
	U.S. Selling Restrictions:	Reg. S Compliance Category 2; [TEFRA C][TEFRA D][TEFRA Not Applicable]
12.	**Green Bonds**:	[Applicable]/[Not Applicable]
13.	**Social Bonds**:	[Applicable]/[Not Applicable]
14.	**Sustainable Bonds:**	[Applicable]/[Not Applicable]

Notes

(1) Required for derivative securities.

Form of Pricing Supplement

Set out below is a form of Pricing Supplement for use in connection with Exempt Bonds issued under the Programme. This pro forma Pricing Supplement is subject to completion and amendment to set out the terms upon which each Tranche or Series of Exempt Bonds is to be issued.

No prospectus is required in accordance with the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (the "**PRM**") for the issue of the Bonds described below. The Bonds which are the subject of this Pricing Supplement are not complaint with the PRM and the FCA has neither approved nor reviewed the information contained in this Pricing Supplement.

PROHIBITION OF SALES TO EUROPEAN ECONOMIC AREA RETAIL INVESTORS - The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (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 UNITED KINGDOM RETAIL INVESTORS - The Bonds are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

[**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA") - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined the classification of the Bonds as [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [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).[7] [8]]

Pricing Supplement dated [●]

ANGLIAN WATER SERVICES FINANCING PLC

Legal Entity Identifier (LEI): 213800DL377MH46PDY63

Issue of [Aggregate Nominal Amount of Tranche] [Title of Bonds]

unconditionally and irrevocably

guaranteed by, *inter alios*, ANGLIAN WATER SERVICES LIMITED

under the €20,000,000,000

Global Secured Medium Term Note Programme

PART A — CONTRACTUAL TERMS

Any person making or intending to make an offer of the Bonds may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant or supplement a prospectus pursuant to the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook (the "**PRM**"), in relation to such offer.

Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated 13 October 2026 [and the supplemental Prospectus dated [●]] which

[7] Legend to be included on front of the Pricing Supplement if the Issuer needs to re-classify the Bonds as "capital markets products other than prescribed capital markets products" and "Specified Investment Products" pursuant to Section 309B of the SFA and the Bonds are to be offered in Singapore. Relevant Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

[8] Relevant Dealer(s) to consider whether it/they have received the necessary Singapore product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

[together] constitute[s] a base prospectus for the purposes of the PRM. This document constitutes the Pricing Supplement of the Bonds described herein for the purposes of the PRM and must be read in conjunction with such Prospectus [as so supplemented] in order to obtain all the relevant information. [The Prospectus [and the supplemental Prospectus] [has] [have] been published on the Issuer's website at *www.anglianwater.co.uk*.]

[The Bonds and the guarantees in respect thereof 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. Subject to certain exceptions, the Bonds may not be offered or sold 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 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. The Bonds are subject to U.S. tax law requirements. Subject to certain exceptions, the Bonds may not be offered or sold or 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**") or as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.]

[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 [original date] and incorporated by reference into the Prospectus dated 13 October 2026 [and the supplemental Prospectus dated [●]]. This document constitutes the Pricing Supplement of the Bonds described herein for the purposes of the PRM and must be read in conjunction with the Prospectus dated 13 October 2026 [and the supplemental Prospectus dated [●]], which [together] constitute[s] a base prospectus for the purposes of the PRM in order to obtain all the relevant information, including the Conditions incorporated by reference in the Prospectus. [The Prospectus [and the supplemental Prospectus] have been published on the Issuer's website at www.anglianwater.co.uk.]

1.	(i)	Issuer:	Anglian Water Services Financing Plc
	(ii)	Obligors:	Anglian Water Services Limited, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●] [Not applicable/The Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [●]/the Issue Date/exchange of the Temporary Global Bond for interests in the Permanent Global Bond, as referred to in paragraph 24 below [which is expected to occur on or about ●]]].]
	(iii)	Nature of Bonds:	USPP Bonds Deferred Funding Date is [Applicable/Not Applicable]
3.	Specified Currency or Currencies:		[●]

4.	Aggregate Nominal Amount of Bonds admitted to trading:	Series: [●] Tranche: [●]
5.	Issue Price of Tranche:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]].
6.	Specified Denominations:	[●] [and integral multiples of [●] in excess thereof up to and including [●]. No Bonds in definitive form will be issued with a denomination above [●]]
7.	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[[●]/Issue Date/Not Applicable]
8.	(i) Maturity Date:	[[●]/Interest Payment Date falling in or nearest to [●]]
	(ii) Instalment Dates	[[●]/Not Applicable]
9.	Interest Basis:	[[●] per cent. Fixed Rate][, subject to the Step Up Option] [[SONIA/EURIBOR] +/- [●] per cent. Floating Rate][, subject to the Step Up Option] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest]
10.	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [US Change of Control Redemption Event] [Instalment]
11.	Change of Interest Basis or Redemption/Payment Basis:	[[●]/Not Applicable]
12.	Call Options:	[Issuer Call][Issuer Maturity Call][Not Applicable][(further particulars specified below)]
13.	[Date [Board] approval for issuance of Bonds obtained:	[●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14.	**Fixed Rate Bond Provisions**	[Applicable/Not Applicable]
	(i) Rate(s) of Interest:	[The Bonds are subject to the Step Up Option]/[The Bonds are not subject to the Step Up Option]

		(*If the Bonds are Step Up Bonds*) [The Initial Rate of Interest is] [●] per cent. per annum [payable in arrear on each Interest Payment Date/on each Interest Payment Date] [(Further particulars specified in paragraph [19] below)]
	(ii) Interest Payment Date(s):	[[●] [and [●]] in each year up to and including the Maturity Date]
	(iii) Fixed Coupon Amount(s):	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
	(v) Day Count Fraction:	[Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) Actual/Actual (ICMA) Actual/Actual Canadian Compound Method]
	(vi) Determination Date[s]:	[[●] [and [●]] in each year] [Not Applicable]
	(vii) Calculation Amount:	[●]
15.	**Floating Rate Bond Provisions**	[Applicable/Not Applicable] [The Bonds are subject to the Step Up Option]/[The Bonds are not subject to the Step Up Option] [(further particulars specified in paragraph [19] below)]
	(i) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(iii) Additional Business Centre(s):	[●]
	(iv) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]

(v)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):	[●]
(vi)	Screen Rate Determination:	[Applicable][Not Applicable] – Reference Rate: [SONIA/EURIBOR] - Relevant Financial Centre: [London/Brussels/specify other Relevant Financial Centre] – Interest Determination Date(s): [●] – Relevant Screen Page: [●] – Reference Look Back Period: [●] (*The prior agreement of the Calculation Agent is required if this is to be less than five London Banking Days*.) – Observation Method: [●]
(vii)	ISDA Determination:	[Applicable][Not Applicable] – Floating Rate Option: [●] – Designated Maturity: [●] – Reset Date: [●]
(viii)	Linear Interpolation:	[Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]
(ix)	Margin(s):	(*If the Bonds are Step Up Bonds*) [The Initial Margin is] [+/-] [●] per cent. per annum
(x)	Minimum Rate of Interest:	[●] per cent. per annum
(xi)	Maximum Rate of Interest:	[●] per cent. per annum
(xii)	Day Count Fraction:	[Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360

			30E/360 (ISDA)]
16.	**Zero Coupon Bond Provisions**		[Applicable/Not Applicable]
	(i)	Accrual Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360] [Actual/360] [Actual/365]
17.	**Index Linked Interest/Redemption Bond Provisions**		[Applicable/Not Applicable]
	(i)	Index/Formula:	[RPI/HICP/CPI/CPIH]
	(ii)	Party responsible for calculating the principal and/or interest due:	[●]
	(iii)	Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted:	Condition [8(c) / 8(f)/ 8(i)] applies
	(iv)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(vi)	Additional Business Centre(s):	[●]
	(vii)	Minimum Rate of Interest:	[●] per cent. per annum
	(viii)	Maximum Rate of Interest:	[●] per cent. per annum
	(ix)	Day Count Fraction:	[30/360][Actual/Actual (ICMA)]
	(x)	Base Index Figure:	[●]
	(xi)	Reference Gilt:	[[●]/Not Applicable]
	(xii)	Settlement Date:	[[●]/Not Applicable]

	(xiii)	Rate for purposes of Condition 9(d)(ii)(2)(B) where the Index is CPI or CPIH:	[[●]/Not Applicable]
18.	**Dual Currency Bond Provisions**		[Applicable/Not Applicable]
	(i)	Rate of Exchange/ method of calculating Rate of Exchange:	[●]
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest payable:	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[[●]/Condition [8(c) / 8(f)/8(i)] applies]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]
19.	**Step Up Option**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
	SPT:		Net Operational Carbon SPT(a): [Applicable/Not Applicable] Net Operational Carbon SPT(b): [Applicable/Not Applicable] Capital Carbon SPT(a): [Applicable/Not Applicable] Capital Carbon SPT(b): [Applicable/Not Applicable] Natural Household Water Abstraction SPT(a): [Applicable/Not Applicable] Natural Household Water Abstraction SPT(b): [Applicable/Not Applicable] PSR Adoption SPT(a): [Applicable/Not Applicable] PSR Adoption SPT(b): [Applicable/Not Applicable] Additional SPT: [Applicable [*please include definition of specific Additional SPT*]/Not Applicable]
	Baseline:		Net Operational Carbon Emissions Baseline: [[●], subject to such Net Operational Carbon Emissions Baseline being adjusted in good faith in accordance with Condition 6(c) (*Step Up Option*) (if applicable)/Not Applicable] Capital Carbon Emissions Baseline: [[●], subject to such Capital Carbon Emissions Baseline being adjusted in good

faith in accordance with Condition 6(c) (*Step Up Option*) (if applicable)/Not Applicable]

Natural Household Water Abstraction Baseline: [[●], subject to such Natural Household Water Abstraction Baseline being adjusted in good faith in accordance with Condition 6(c) (*Step Up Option*) (if applicable)/Not Applicable]

PSR Adoption Baseline: [[●], subject to such PSR Adoption Baseline being adjusted in good faith in accordance with Condition 6(c) (*Step Up Option*) (if applicable)/Not Applicable]

[Any such adjustment can only be made if and to the extent that: (a) such adjustment is made and notified by the Anglian Water Group in accordance with the requirements of Condition 6(c) (*Step Up Option*); and (b) the Anglian Water Group (acting in good faith) considers this adjustment necessary to account for the occurrence of a Significant Change, which may be caused by the Anglian Water Group's Asset Management Plan 8 ("**AMP8**") 2025-2030 investment programme (as actually delivered) differing from its AMP8 2025-2030 investment programme delivery as currently anticipated (which is based on current projections and anticipated AMP8 investment delivery, and the details of which are set out in the table below for illustrative purposes).

Current expected structure

AMP8	Total number schemes	% of total schemes by number	Total baseline tCO2e	% of total schemes by baseline
Total	[●]	[●]	[●]	[●]
Water Infrastructure	[●]	[●]	[●]	[●]
Water Non Infrastructure	[●]	[●]	[●]	[●]
Water Recycling Infrastructure	[●]	[●]	[●]	[●]
Water Recycling Non Infrastructure	[●]	[●]	[●]	[●]

]

	Step Up Event:	[Net Operational Carbon SPT(a) not met / Not Applicable] [Net Operational Carbon SPT(b) not met / Not Applicable] [Capital Carbon SPT(a) not met / Not Applicable] [Capital Carbon SPT(b) not met / Not Applicable] [Natural Household Water Abstraction SPT(a) not met / Not Applicable] [Natural Household Water Abstraction SPT(b) not met / Not Applicable] [PSR Adoption SPT(a) not met / Not Applicable] [PSR Adoption SPT(b) not met / Not Applicable] [Additional SPT not met / Not Applicable]
	Step Up Margin:	[Net Operational Carbon SPT(a) not met: [[●] per cent. per annum./Not Applicable]] [Net Operational Carbon SPT(b) not met: [[●] per cent. per annum./Not Applicable]] [Capital Carbon SPT(a) not met: [[●] per cent. per annum./Not Applicable]] [Capital Carbon SPT(b) not met: [[●] per cent. per annum./Not Applicable]] [Natural Household Water Abstraction SPT(a) not met: [[●] per cent. per annum./Not Applicable]] [Natural Household Water Abstraction SPT(b) not met: [[●] per cent. per annum./Not Applicable]] [PSR Adoption SPT(a) not met: [[●] per cent. per annum./Not Applicable]] [PSR Adoption SPT(b) not met: [[●] per cent. per annum./Not Applicable]] [Additional SPT not met: [[[●] per cent. per annum./Not Applicable]]
	Notification Date:	[15 days following the Verification Publication Date in 2025, provided that it is not later than 31 July 2025]/[15 days following the Verification Publication Date in 2030, provided that it is not later than 31 July 2030]

PROVISIONS RELATING TO REDEMPTION

20.	**Notice Periods for Condition 9(b):**	Minimum Period [●] days Maximum Period [●] days
21.	**Notice Periods for Condition 9(c):**	Minimum Period [●] days Maximum Period [●] days
22.	**Issuer Maturity Call:**	[Applicable/Not Applicable]
	(i) Issuer Maturity Call Notice Period:	Minimum Period: [●] days Maximum Period: [●] days

23.	**Issuer Call**:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●] [*If the "Issuer Maturity Call" is applicable, at any time prior to the first day of the Issuer Maturity Call Period.*]
	(ii) Optional Redemption Amount of each Bond:	[[●] per Calculation Amount] [Make-Whole Amount] [Euro Optional Redemption Price] [USD Optional Redemption Price] [CAD Optional Redemption Price] [Spens Price]
	(iii) Redemption Margin:	[[●]/Not Applicable]
	(iv) Reference Gilt:	[[●]/Not Applicable]
	(v) Reference Stock:	[[●]/Not Applicable]
	(vi) Reference Dealer:	[As selected by the Issuer at the relevant time/Not Applicable]
	(vii) Reference Treasury Dealer:	[As selected by the Issuer at the relevant time/Not Applicable]
	(viii) Reference Dealer Rate:	[[●]/Not Applicable]
	(ix) Determination Date:	[[●]/Not Applicable]
	(x) Determination Time:	[[●]/Not Applicable]
	(xi) If redeemable in part:	Minimum Redemption Amount: [●] Maximum Redemption Amount: [●]
	(xii) Notice period:	Minimum Period [●] days Maximum Period [●] days
24.	(i) Final Redemption Amount of each Bond:	[●]
	(ii) Details relating to Bonds repayable in instalments:	[Applicable/Not Applicable]
	(a) Instalment Dates:	[●]
	(a) Instalment Amount:	[●]
25.	Early Redemption Amount of each Bond payable on redemption for taxation reasons or on event of default and/or the method of calculating the same:	[●]

GENERAL PROVISIONS APPLICABLE TO THE BONDS

26.	(i)	Form of Bonds:	[Bearer Bonds:] [Temporary Bearer Global Bond exchangeable for a Permanent Bearer Global Bond on or after Exchange Date which is exchangeable for Definitive Bonds [only upon an Exchange Event.]] [Temporary Bearer Global Bond exchangeable for Definitive Bonds on and after the Exchange Date.] [Permanent Bearer Global Bond exchangeable for Definitive Bonds [only upon an Exchange Event].]
	(ii)	New Global Note:	[Yes][No][Not Applicable]
	(iii)	[Registered Bonds:]	[Yes / No] [Regulation S Global Bond (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/CDS/a common depositary for Euroclear and Clearstream, Luxembourg].] [Rule 144A Global Bond (U.S.$[●] nominal amount registered in the name of a nominee for [DTC/ a common depositary for Euroclear and Clearstream, Luxembourg].] [Definitive IAI Registered Bonds] (U.S.$[●] nominal amount registered in the name of a nominee for [DTC/ a common depositary for Euroclear and Clearstream, Luxembourg].]
27.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:		[Not Applicable/[●]]
28.	Talons for future Coupons to be attached to Definitive Bearer Bonds (and dates on which such Talons mature):		[Yes. As the Bonds have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left. / No] [Not Applicable]

Signed on behalf of the Issuer:

By: [●]
Duly authorised

Signed on behalf of Anglian Water Services Limited:

By: [●]
Duly authorised

Signed on behalf of Anglian Water Services Holdings Limited:

By: [●]
Duly authorised

Signed on behalf of Anglian Water Services UK Parent Co Limited:

By: [●]
Duly authorised

Part B — Other Information

1. **Listing**

(i)	Listing:	[Not applicable]
(ii)	Admission to trading:	[No application has been made for the Bonds to be admitted to trading on any exchange as at the date of this Pricing Supplement]
(iii)	Estimate of total expenses related to admission to trading:	[●]
(iv)	All regulated markets or equivalent markets on which securities of the same class are already admitted to trading:	[●]

2. **Ratings**

Ratings:	[The Bonds to be issued [have been/are expected to be] rated]: [S&P: [●]] [Moody's: [●]] [Fitch: [●]]][Not Applicable]

3. **Interests of natural and legal persons involved in the offer**

Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer.

[The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with and perform other services for, the Issuer [and the other Obligors] and [its/their] affiliates in the ordinary course of business.]

4. **Third Party Information**

[Relevant Third Party Information] has been extracted from [*source*].

Each of the Obligors confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced inaccurate or misleading.]

5. **[Reasons for the offer, estimated net proceeds and total expenses]**

(i)	[Reasons for the offer:]	[●] *(See Chapter 9 (Use of Proceeds) in the Prospectus)*
(ii)	[Estimated net proceeds:]	[●]
(iii)	[Estimated total expenses:]	[●]

6. **[Fixed Rate Bonds only YIELD**

	Indication of yield:	[●] As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]
7.	**[*Floating Rate Bonds only* –** **PERFORMANCE INTEREST RATES**	Details of performance SONIA/EURIBOR rates can be obtained from [Reuters/Bloomberg/*give details of electronic means of obtaining the details of performance*].]
8.	**[Index Linked Bonds only –** **PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING**	[U.K. Retail Price Index (RPI) (all items) published by the Office for National Statistics] / [Non-revised index of Consumer Prices excluding tobacco, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat (HICP)] /[U.K. Consumer Price Index (CPI) (all items) published by the Office for National Statistics] /[U.K. Consumer Price Index including owner occupiers' housing costs (CPIH) (all items) published by the Office for National Statistics]
	(i) Name of underlying index:	
	(ii) Information about the Index, its volatility and past and future performance can be obtained from:	More information on [RPI/ HICP/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/HICP/CPI/CPIH], can be found at [*www.statistics.gov.uk/www.epp.eurostat.ec.eu ropa.eu/www.ons.gov.uk/economy/inflationandpriceindices*]
	The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]*.	
9.	**[Dual currency Bonds only — PERFORMANCE OF RATE[S] OF** EXCHANGE	[●]]
10.	**Operational information**	
	ISIN:	[●]
	Common Code:	[●]
	[CFI:	[Not Applicable / [See [●] as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Available]

[FISN:	[Not Applicable / [See [●] as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Available]
Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A., CDS and DTC and the relevant identification number(s):	[Not Applicable/[●]]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]
[Intended to be held in a manner which would allow Eurosystem eligibility]	[Yes. Note that the designation "yes" simply means that the Bonds are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered bonds*] and does not necessarily mean that the Bonds will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Bonds are capable of meeting them the Bonds may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) [*include this text for registered bonds*]. Note that this does not necessarily mean that the Bonds will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

11. **General**

U.S. Selling Restrictions:	Reg. S Compliance Category 2; [TEFRA C][TEFRA D][TEFRA Not Applicable]

12. **Green Bonds**: [Applicable]/[Not Applicable]

13.	**Social Bonds**:	[Applicable]/[Not Applicable]
14.	**Sustainable Bonds:**	[Applicable]/[Not Applicable]

Notes

(1) Required for derivative securities.

CHAPTER 8
TERMS AND CONDITIONS OF THE BONDS

The following (other than the italicised portions) are the Terms and Conditions of the Bonds which will be incorporated by reference into each Global Bond (as defined below) and each definitive Bond, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Bond will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Bonds will complete the following Terms and Conditions for the purpose of such Bonds. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Bond and definitive Bond. Reference should be made to Chapter 7, "Form of the Bonds" for a description of the content of the Final Terms which will specify which of such terms are to apply in relation to the relevant Bonds. In the case of Exempt Bonds issued under the Programme, references to the Final Terms in these Terms and Conditions shall be construed as references to the Pricing Supplement.

This Bond is one of a Series (as defined below) of Bonds issued by Anglian Water Services Financing Plc (the "**Issuer**") constituted by a trust deed dated 30 July 2002 between the Issuer, Anglian Water Services Limited ("**AWS**"), Anglian Water Services Holdings Limited ("**AWS Holdings**"), Anglian Water Services UK Parent Co Limited ("**AWS UK Parent Co**"), MBIA Assurance S.A. ("**MBIA**") 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) (such trust deed as modified and restated by a first supplemental trust deed dated on or about 23 September 2005, a second supplemental trust deed dated on or about 2 October 2006, a third supplemental trust deed dated on or about 6 October 2011, a fourth supplemental trust deed dated on or about 12 October 2012, a fifth supplemental trust deed dated on or about 4 October 2013, a sixth supplemental trust deed dated on or about 9 October 2014, a seventh supplemental trust deed dated on or about 12 September 2016, an eighth supplemental trust deed dated on or about 23 July 2018, a ninth supplemental trust deed dated 30 September 2019, a tenth supplemental trust deed dated on or about 19 October 2020, an eleventh supplemental trust deed dated on or about 14 April 2022, a twelfth supplemental trust deed dated on or about 24 October 2022, a thirteenth supplemental trust deed dated on or about 10 October 2023, fourteenth supplemental trust deed dated on or about 9 October 2024, a fifteenth supplemental trust deed dated on or about 9 October 2025 and a sixteenth supplemental trust deed dated on or about 13 October 2026 and as further modified and/or supplemented and/or restated from time to time, the "**Bond Trust Deed**").

The payment of all amounts in respect of the Bonds has been secured by the Issuer and guaranteed and secured by each of AWS, AWS Holdings and AWS UK Parent Co (each, together with the Issuer, an "**Obligor**" and together, the "**AWS Financing Group**") in the Security Agreement (as defined below).

References herein to the "**Bonds**" shall be references to the Bonds of this Series and of each Class and shall mean:

(i) in relation to any Bonds represented by a global Bond (a "**Global Bond**"), units of the lowest Specified Denomination (as specified in the applicable Final Terms) in the Specified Currency;

(ii) any Global Bond;

(iii) any definitive Bonds in bearer form ("**Bearer Bonds**") issued in exchange for a Global Bond in bearer form; and

(iv) definitive Bonds in registered form ("**Registered Bonds**") (whether or not issued in exchange for a Global Bond in registered form).

The Bonds (as defined below), the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement dated 30 July 2002 (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") and made between the Issuer and the other Obligors, the Bond Trustee, Deutsche Bank AG, London Branch (other than in respect of Bonds issued in Canadian dollars, for which a different Paying Agent (as defined below) shall be appointed by the Issuer) as issuing and principal paying agent and agent bank (the "**Principal Paying Agent**", which expression shall include any successor principal paying agent and agent bank) and any other paying agents appointed from time to time under the Agency Agreement (together with the Principal Paying Agent, the "**Paying Agents**", which expression shall include any successor paying agents), Deutsche Bank Trust Company Americas as exchange agent (the "**Exchange Agent**" which expression shall include any successor exchange agent) and as registrar (the "**Registrar**", which expression shall include any successor registrar) and Deutsche Bank AG, London Branch as a transfer agent (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents).

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

Any Bearer Bond the principal amount of which is redeemable in instalments (an "**Instalment Bond**") may be issued with one or more receipts ("**Receipts**") (and, where appropriate, Talons) 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.

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

Any reference to "**Bondholders**" or "**holders**" in relation to any Bonds shall mean (in the case of Bearer Bonds) the holders of the Bonds and (in the case of Registered Bonds) the persons in whose name the Bonds are registered and shall, in relation to any Bonds represented by a Global Bond, be construed as provided below. Any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Bonds which are identical in all respects (including as to listing) and "**Series**" means a Tranche of Bonds together with any further Tranche or Tranches of Bonds which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest and the date from which interest starts to accrue.

Each Obligor has, on 30 July 2002, entered into the security agreement (the "**Security Agreement**") with Deutsche Trustee Company Limited as security trustee (the "**Security Trustee**"), pursuant to which each Obligor guarantees the obligations of each other Obligor under the Finance Documents (as defined below) to the Security Trustee as security trustee for the Secured Creditors (as defined below) and grants certain fixed and floating charge security (the "**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 USPP 2001 Bondholders, the Initial Financial Guarantor, the Existing Finance Lessor, the Existing Hedge Counterparties, the Issuer, the Initial Authorised Credit Facility Agent, the Initial Authorised Credit Facility Arrangers, the Original Lenders, the O&M Reserve Facility Provider, the Debt Service Reserve Liquidity Providers, the Account Bank, the Cash Manager, the Agent Bank, the Principal Paying Agent, the Registrar, the Exchange Agent and the Transfer Agents (each as defined in the Master Definitions Agreement) together with any receiver and any additional creditor of the AWS Financing Group which accedes to the STID (as defined below) and the Common Terms Agreement (as defined below) (together, the "**Secured Creditors**").

The Obligors have also entered into a security and trust intercreditor deed dated 30 July 2002 (the "**STID**") with, *inter alios*, the Security Trustee and the other Secured Creditors pursuant to which the Security Trustee holds the Security on trust for the Secured Creditors and the Secured Creditors agree to certain intercreditor arrangements.

The Issuer has entered or may enter into liquidity facility agreements (together, the "**Liquidity Facility Agreements**") with certain liquidity facility providers (together, "**Liquidity Facility Providers**"), pursuant to which the Liquidity Facility Providers agree to make certain facilities available to meet debt service liquidity shortfalls and shortfalls in projected operating and maintenance expenditure of the AWS Financing Group.

The Issuer has entered or may enter into a bank lending facility or an authorised loan agreement (the "**Authorised Loan Agreement**") with, *inter alios*, certain lenders who agree to make certain facilities available to the Issuer for the purposes of funding certain working capital, capital expenditure and other expenses.

The Issuer has entered or may enter into certain currency and interest-rate hedging agreements and other derivative transactions (together, the "**Hedging Agreements**") with certain hedge counterparties (together, the "**Hedge Counterparties**"), pursuant to which the Issuer hedges certain of its currency and interest-rate obligations.

The Obligors have entered into a common terms agreement dated 30 July 2002 (the "**Common Terms Agreement**") with, *inter alios*, the Security Trustee and the other Secured Creditors, which contains certain representations and covenants of the Issuer and the other Obligors and events of default relating to, *inter alia*, the Bonds.

The Issuer has entered into intercompany loan arrangements (the "**Intercompany Loan Arrangements**") under which the Issuer agreed to make available loan facilities and other financial accommodation to AWS.

The Bond Trust Deed, the Bonds, the Common Terms Agreement, the Security Agreement, the STID, the Agency Agreement, the Liquidity Facility Agreements, the Hedging Agreements, the Issuer/AWS Loan Agreement, the Anglian Water Loan Notes, the Bridging Facility Agreement, the Authorised Loan Agreement, the I&I Agreements and the Master Definitions Agreement and, together with the other documents referred to in the Master Definitions Agreement, the "**Finance Documents**".

Copies of, *inter alia*, the Bond Trust Deed, the Common Terms Agreement, the Security Agreement, the STID, the Agency Agreement, the Liquidity Facility Agreements, the Hedging Agreements, the Bridging Facility Agreement, the Authorised Loan Agreement, the I&I Agreements and the Master Definitions Agreement are (i) available for inspection during normal business hours at the specified office of each of the Principal Paying Agent, the Registrar and any other Paying Agents and Transfer Agents (such Paying Agents and the Transfer Agents being together referred to as the "**Agents**"). Copies of the applicable Final Terms are obtainable during normal business hours at the specified office of each of the Agents or (ii) may be provided by email to a Noteholder following their prior written request to the Trustee, any Paying Agents or the Issuer and provision of proof of holding and identity (in a form satisfactory to the Trustee, the relevant Paying Agent or the Issuer, as the case may be) and subject to the Paying Agents being supplied by the Issuer with electronic copies.

The Bondholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Bond Trust Deed, the Common Terms Agreement, the Security Agreement, the STID and the applicable Final Terms and to have notice of those provisions of the Agency Agreement and the other Finance Documents which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement, the Bond Trust Deed, the Security Agreement, the Common Terms Agreement and the STID.

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

Any reference in these Conditions to a matter being "**specified**" means as the same may be specified in the applicable Final Terms.

1 Classes, Form, Denomination and Title

(a) Classes of Bonds

Each Series of Bonds will be designated as "**Class** A Bonds".

(b) Form and Denomination

The Bonds are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Bonds, serially numbered, in the currency (the "**Specified Currency**") and the denominations (the "**Specified Denomination(s)**") provided that in the case of any Bonds which are to be offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under 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 relevant Bonds). Bonds of one Specified Denomination may not be exchanged for Bonds of another Specified Denomination and Bearer Bonds may not be exchanged for Registered Bonds and vice versa.

So long as the Bonds are represented by a temporary Global Bond or permanent Global Bond and the relevant clearing system(s) so permit, the Bonds shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided hereon.

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

This Bond may be an Index Linked Redemption Bond, a Dual Currency Redemption Bond or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

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

(c) Title

Subject as set out below, title to the Bearer Bonds, Coupons, Receipts and Talons (if any) will pass by delivery and title to the Registered Bonds will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and each of the other Obligors, the Bond Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Bond or Coupon and the registered holder of any Registered Bond as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Bond, without prejudice to the provisions set out in the next succeeding paragraph and no person will be liable for treating such holder.

For so long as any of the Bonds are represented by a Global Bond held on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Obligors, the Security Trustee, the Bond Trustee and the Agents as the holder of such nominal amount of such Bonds for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Bonds, for which purpose the bearer of the relevant Bearer Global Bond or the registered holder of the relevant Registered Global Bond shall be treated by the Issuer, the Obligors, the Security Trustee, the Bond Trustee and any Agent as the holder of such nominal amount of such Bonds in accordance with and subject to the terms of the relevant Global Bond and the expressions "**Bondholder**" and "**holder of Bonds**" and related expressions shall be construed accordingly.

For so long as The Depository Trust Company ("**DTC**") or its nominee or CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee is the registered owner or holder of a Registered Global Bond, DTC, CDS or such nominee, as the case may be, will be considered the sole owner or holder of the Bonds represented by such Registered Global Bond for all purposes under the STID, the Bond Trust Deed, the Agency Agreement and the Bonds except to the extent that in accordance with DTC's or CDS's published rules and procedures, as the case may be, any ownership rights may be exercised by its participants or beneficial owners through participants.

Bonds which are represented by a Global Bond will be transferable only in accordance with the rules and procedures for the time being of DTC, CDS, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, CDS, 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 Part B of the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

2 Transfers of Registered Bonds

(a) Transfers of interests in Registered Global Bonds

Transfers of beneficial interests in Registered Global Bonds will be effected by DTC, CDS, Euroclear, Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Bond will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Bonds in definitive form or for a beneficial interest in another Registered Global Bond only in the authorised denominations set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, CDS, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Bond registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee. Transfers of a Registered Global Bond registered in the name of a nominee for CDS shall be limited to transfers of such Registered Global Bond, in whole but not in part, to another nominee of CDS or to a successor of CDS or such successor's nominee.

(b) Transfers of Registered Bonds in definitive form

Subject as provided in paragraph (g) below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Final Terms). In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Bond for registration of the transfer of the Registered Bond (or the relevant part of the Registered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Bond in definitive form of a like aggregate nominal

amount to the Registered Bond (or the relevant part of the Registered Bond) transferred. In the case of the transfer of part only of a Registered Bond in definitive form, a new Registered Bond in definitive form in respect of the balance of the Registered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

Transfers of Registered Bonds in definitive form may also be made:

(i) to a transferee who takes delivery also through an interest in a Regulation S Global Bond, upon receipt by the Registrar of a written confirmation substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**") from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Legended Bond:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State or other jurisdiction of the United States.

Registered Bonds in definitive form transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, Luxembourg, as appropriate, and the Registrar will arrange for any Bonds which are the subject of such a transfer to be represented by the appropriate Registered Global Bond, where applicable.

Upon the transfer, exchange or replacement of Registered Bonds in definitive form, or upon specific request for removal of the Legend on such Bond, the Registrar shall deliver only Registered Bonds in definitive form or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(c) Registration of transfer upon partial redemption

In the event of a partial redemption of Bonds under Condition 9, the Issuer shall not be required to register the transfer of any Registered Bond, or part of a Registered Bond, called for partial redemption.

(d) Costs of registration

Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

(e) Transfers of interests in Regulation S Global Bonds

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Bond to a transferee in the United States or who is a U.S. person will only be made (i) upon receipt by the Registrar of a Transfer Certificate, copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Bond or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A or (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Bond in global or definitive form. After expiry of the applicable Distribution Compliance Period (i) beneficial interests in Regulation S Global Bonds registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

(f) Transfers of interests in Rule 144A Global Bonds

Transfers of Rule 144A Global Bonds or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Bond, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Bond registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

(ii) to a transferee who takes delivery of such interest through a Rule 144A Global Bond where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which

may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Rule 144A Global Bonds, or upon specific request for removal of the Legend on such Bond, the Registrar shall deliver only Rule 144A Global Bonds or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

(g) Exchanges and transfers of Registered Bonds generally

Holders of Registered Bonds in definitive form, other than Institutional Accredited Investors, may exchange such Bonds for interests in a Registered Global Bond of the same type at any time.

(h) Definitions

In this Condition, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Bonds;

"**IAI Investment Letter**" means a letter from an Institutional Accredited Investor in or substantially in the form set out in the Agency Agreement;

"**Institutional Accredited Investor**" means "**accredited investors**" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

"**Legended Bond**" means Registered Bonds in definitive form that are issued to Institutional Accredited Investors and Registered Bonds (whether in definitive form or represented by a Registered Global Bond) sold in transactions to QIBs in accordance with the requirements of Rule 144A;

"**QIB**" means a "**qualified institutional buyer**" within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Bond**" means a Registered Global Bond representing Bonds sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Bond**" means a Registered Global Bond representing Bonds sold to QIBs pursuant to Rule 144A; and

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

3 Status of the Bonds and Guarantees

(a) Status of Class A Bonds

This Condition 3(a) is applicable only in relation to Bonds which are specified as being Class A Bonds.

The Bonds and any relative Coupons are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 and rank *pari passu* without any preference among themselves.

(b) [Not used]

(c) Guarantees by the Obligors

The obligations of the Obligors under the Finance Documents are unconditionally and irrevocably guaranteed by each other Obligor pursuant to the Security Agreement. Each such guarantee constitutes a direct and unconditional obligation of such Obligor secured in the manner described in Condition 4.

4 Security, Priority and Relationship with Secured Creditors

(a) Security

Under the Security Agreement, each Obligor guarantees the obligations of each other Obligor under the Finance Documents to the Security Trustee for itself and on behalf of the Secured Creditors (including, without limitation, Bondholders) and secures such obligations upon the whole of its property, undertaking and assets, subject to certain specified exceptions and, in the case of Anglian Water Services, 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 issued after the first Series. Each further Series of Bonds issued by the Issuer and any additional creditor of the Issuer acceding to the STID will share in the Security.

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 under which the Secretary of State for the Environment appointed Anglian Water Services as a water and wastewater undertaker under the Act for the areas described in the Instrument of Appointment, as modified or amended from time to time.

(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 19).

The STID provides that the Security Trustee (except in relation to its Reserved Matters and Entrenched Rights and subject to certain exceptions) will act on instructions of the Majority Creditors (as defined in the Master Definitions Agreement) (including the Bond Trustee as trustee for and representative of the Bondholders) (other than the USPP Bondholders, who will each act as their own Secured Creditor Representative) and, when so doing, the Security Trustee is not required to have regard to the interests of any Secured Creditor (including the Bond Trustee as trustee for and representative of the Bondholders or any individual Bondholder) in relation to the exercise of such rights and, consequently, has no liability to the Bondholders as a consequence of so acting.

(c) Enforceable Security

In the event of the Security becoming enforceable as provided in the STID, the Security Trustee shall, if instructed by the Majority Creditors, enforce its rights with respect to the Security, but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Secured Creditor (including the Bond Trustee as trustee for the Bondholders or any individual Bondholder), provided that the Security Trustee shall not be obliged to take any action unless it is indemnified and/or secured to its satisfaction.

(d) Application after Enforcement

After enforcement of the Security, the Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Accounts to make payments in accordance with the Payment Priorities (as set out in the Common Terms Agreement).

(e) Bond Trustee and Security Trustee not liable for security

The Bond Trustee and the Security Trustee will not be liable for any failure to make the usual investigations or any investigations which might be made by a security holder in relation to the property which is the subject of the Security, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the relevant Obligor to the Security, whether such defect or failure was known to the Bond Trustee or the Security Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the Security created under the Security Documents whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such Security. The Bond Trustee and the Security Trustee have no responsibility for the value of any such Security.

5 Issuer Covenants

(a) Common Terms Agreement

So long as any of the Bonds remain outstanding, the Obligors have agreed to comply with the covenants as set out in Schedule 5 of the Common Terms Agreement.

The Bond Trustee is entitled to rely absolutely on a certificate of any two directors of the Issuer or any other Obligor in relation to any matter relating to the Covenants and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter stated in such certificate.

The Covenants include, subject, in some cases, to certain materiality qualifications, exceptions and reservations as to matters of law, covenants as to how Anglian Water Services will carry on its business, including restrictions upon each Obligor's ability to dispose of its assets, create security, grant guarantees, incur further financial indebtedness and amend any Material Agreement. Details of the covenants to be given by the Obligors, and those to be given by Anglian Water Services and the Issuer are summarised in Chapter 6, "*Financing Structure*", under Chapter 6.5.4, "*Information — Covenants*", Chapter 6.5.5, "*Covenants — General*" and Chapter 6.5.6, "*Financial Covenants*".

The Common Terms Agreement also prescribes the manner in which Anglian Water Services must manage its cash resources and the order in which it must pay its liabilities. See Chapter

6, "*Financing Structure*" under Chapter 6.5, "*Common Terms Agreement*" and Chapter 6.6, "*Cash Management*".

(b) Bondholder Remuneration (USPP Bonds)

This condition 5(b) is applicable only in relation to Bonds which are specified as being USPP Bonds in the applicable Final Terms.

The Issuer and AWS will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of the Bonds issued under such Final Terms (the "**Relevant Bondholder**") as consideration for or as an inducement to the entering into by any waiver or amendment of any of the terms and provisions in the applicable Final Terms unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, rateably to each Relevant Bondholder then outstanding even if such Relevant Bondholder did not consent to such waiver or amendment.

6 Interest

(a) Interest on Fixed Rate Bonds and Index Linked Bonds

Each Fixed Rate Bond and Index Linked Bond bears interest on its outstanding nominal amount (or if it is an Index Linked Bond, adjusted for indexation in accordance with Condition 8) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest and, in the case of a Fixed Rate Bond, the Rate(s) of Interest on a Fixed Rate Bond which is also a Step Up Bond may be increased in accordance with the provisions relating to the Step Up Option in Condition 6(c)). Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

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

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

If interest is required to be calculated for a period other than a Fixed Interest Period or if no Fixed Coupon Amount is specified in the applicable Final Terms, such interest shall be calculated (i) in the case of Bonds other than Index Linked Bonds, by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention and (ii) in the case of Index Linked Bonds, on an actual/actual basis in line with the method used by the Debt Management Office for the United Kingdom Index-linked Gilt Market.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 6(a):

(i) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:

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

(B) in the case of Bonds where the Accrual Period is longer than the Determination Period, during which the Accrual Periods ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(ii) if "**30/360**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;

(iii) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 361 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 360);

(iv) if "**Actual/365**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(v) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(vi) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

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

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] - [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Interest 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 D2 will be 30.

(ix) if "**Actual/Actual Canadian Compound Method**" is specified in the applicable Final Terms (A) in respect of an Interest Period which relates to a regular semi-annual interest

payment, if any, "30/360" as defined in paragraph (iii) above, and (B) in respect of an Interest Period other than where (A) applies, the actual number of days in such Interest Period, divided by 365.

In these Terms and Conditions:

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

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

(b) Interest on Floating Rate Bonds

(i) Interest Payment Dates

Each Floating Rate Bond bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

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

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

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

(1) in any case where Specified Periods are specified in accordance with Condition 6(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply, *mutatis mutandis*, or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date

shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

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

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Final Terms; and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars, New Zealand dollars or Canadian dollars shall be Sydney, Auckland and Toronto, respectively) or (2) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System or any successor or replacement for that system ("**T2**") is open.

(ii) Rate of Interest

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

(A) ISDA Determination for Floating Rate Bonds

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this paragraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended, updated and supplemented as at the Issue Date of the first Tranche of the Bonds, published by the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the applicable Final Terms;

(2) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable Final Terms;

(3) the relevant Reset Date (as defined in the ISDA Definitions) is if the relevant Floating Rate Option is based on EURIBOR, the first day of that Interest Period unless otherwise specified in the relevant Final Terms; and

(4) references in the ISDA Definitions to:

(a) "Confirmation" shall be deemed to be references to the applicable Final Terms;

(b) "Calculation Period" shall be deemed to be references to the relevant Interest Period;

(c) "Termination Date" shall be deemed to be references to the Maturity Date;

(d) "Effective Date" shall be deemed to be references to the Interest Commencement Date; and

(e) "Fallback Observation Day" shall be deemed to be references to, in respect of a Reset Date and the Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Payment Date,

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.

(B) Screen Rate Determination for Floating Rate Bonds (EURIBOR)

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, and the Reference Rate specified in the applicable Final Terms is EURIBOR, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, in each case appearing on such Relevant Screen Page at the Relevant Time on the Interest Determination Date,

(expressed as a percentage rate per annum) for the Reference Rate (being EURIBOR) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (Brussels time) (the "**Specified Time**") on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

Subject to Condition 6(b)(iii) (*Benchmark Discontinuation*) below, if the Relevant Screen Page is not available or if, in the case of (1) above, no offered quotation appears or, in the case of (2) above, fewer than three offered quotations appear, in each case as at the Specified Time on the Interest Determination Date in question, the Issuer shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

Subject to Condition 6(b)(iii) (*Benchmark Discontinuation*) below, if on any Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to the Calculation Agent (at the request of the Issuer) by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Euro-zone inter-bank market plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Calculation Agent it is quoting to leading banks in the Euro-zone inter-bank

market plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph by close of business on the date which is two Business Days following the Interest Determination Date, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

"**EURIBOR**" means the euro-zone inter-bank offered rate.

"**Reference Banks**" means the principal Euro-zone office of four major banks in the Euro-zone inter-bank market selected by the Issuer or as may be specified in the Final Terms.

(C) Screen Rate Determination (SONIA)

Where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined, and the Reference Rate specified in the applicable Final Terms is SONIA, the Rate of Interest for each Interest Period will be the Compounded Daily SONIA as determined by the Calculation Agent plus or minus the Margin (as specified in the applicable Final Terms).

"**Compounded Daily SONIA**", with respect to each Interest Period, will be calculated by the Calculation Agent on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 per cent. being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{r_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**Applicable Period**" means:

(1) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, in relation to any Interest Period, the Reference Period relating to such Interest Period; and

(2) where "Lag" is specified as the Observation Method in the applicable Final Terms, the relevant Interest Period;

"**d**" is the number of calendar days in the Applicable Period;

"**d_o**" is the number of London Banking Days in the Applicable Period;

"**i**" is a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the Applicable Period;

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

"n_i" for any London Banking Day "i", means the number of calendar days from and including such London Banking Day "i" up to but excluding the following London Banking Day;

"**Observation Method**" has the meaning given to it in the applicable Final Terms;

"**p**" is the number of London Banking Days included in the Reference Look Back Period, as specified in the applicable Final Terms, being at least 5 London Banking Days;

"r_i" means:

(1) where "Lag" is specified as the Observation Method in the applicable Final Terms, in respect of any London Banking Day "i" falling in the relevant Interest Period, the SONIA Reference Rate for the London Banking Day which is "p" London Banking Days prior to the relevant London Banking Day "i"; or

(2) where "Observation Shift" is specified as the Observation Method in the applicable Final Terms, in respect of any London Banking Day "i" falling in the relevant Reference Period, the SONIA Reference Rate;

"**Reference Look Back Period**" means the whole number specified as the Reference Look Back Period in the applicable Final Terms, such number representing a number of London Banking Days (and which shall not be specified in the applicable Final Terms as less than five without the prior agreement of the Calculation Agent);

"**Reference Period**" means, in respect of an Interest Period, the period from and including the date falling "p" London Banking Days prior to the first day of such Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, if any, on which the Bonds become due and payable); and

the "**SONIA Reference Rate**", in respect of any London Banking Day, is a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Page or, if the Page is unavailable, as otherwise published by such authorised distributors (on the London Banking Day immediately following such London Banking Day), or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England's Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Reference Rate).

For the avoidance of doubt, the formula for the calculation of Compounded Daily SONIA only compounds the SONIA Reference Rate in respect of any London Banking Day. The SONIA Reference Rate applied to a day that is a non-

London Banking Day will be taken by applying the SONIA Reference Rate for the previous London Banking Day but without compounding.

If, subject to Condition 6(b)(iii) (*Benchmark Discontinuation*), in respect of any London Banking Day in the relevant Reference Period, the Calculation Agent determines that the SONIA Reference Rate is not available on the Page or has not otherwise been published by the relevant authorised distributors or the Bank of England, such SONIA Reference Rate shall be:

(1) (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five London Banking Days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or

(2) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day, the SONIA Reference Rate published on the Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the Page (or otherwise published by the relevant authorised distributors).

Notwithstanding the paragraphs above, but subject to Condition 6(b)(iii) (*Benchmark Discontinuation*), if the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined or (ii) any rate that is to replace the SONIA Reference Rate, the Calculation Agent shall, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine SONIA for the purpose of the Bonds for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors or the Bank of England. To the extent that any amendments or modifications to the Conditions, the Trust Deed or the Agency Agreement are required in order for the Calculation Agent to follow such guidance in order to determine the Rate of Interest, the Calculation Agent shall have no obligation to act until such amendments or modifications have been made in accordance with the Conditions, the Trust Deed and the Agency Agreement.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be: (A) that determined as at the last preceding Interest Determination Date (through substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period); or (B) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Bonds for the first Interest Period had the Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest

Commencement Date (but applying the Margin applicable to the first Interest Period).

If the Bonds either (a) become due and payable in accordance with Condition 12(a) (*Events of Default*), or (b) are redeemed before the Maturity Date specified in the applicable Final Terms in accordance with Condition 9 (*Redemption and Purchase*) then, for such Bonds (and in the case of limb (b) of this paragraph, only such Bonds which are so redeemed), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the Final Terms, be deemed to be the date on which the Bonds became due and payable or the date fixed for such redemption (with corresponding adjustments being deemed to be made to the Compounded Daily SONIA formula); and the Rate of Interest on the Bonds shall, for so long as the Bonds remain outstanding, be that determined on such date.

(iii) Benchmark Discontinuation

(A) Independent Adviser

If the Issuer determines that a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(b)(iii)(B) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 6(b)(iii)(D) (*Benchmark Amendments*)). In making such determination, the Independent Adviser appointed pursuant to this Condition 6(b)(iii) shall act in good faith and in a commercially reasonable manner. In the absence of bad faith, fraud or negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the Bond Trustee, the Paying Agents, the Bondholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 6(b)(iii).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate and, in either case, an Adjustment Spread (if any) and any Benchmark Amendments, in accordance with this Condition 6(b)(iii)(A) the date five Business Days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Bonds in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply

to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 6(b)(iii)(A).

(B) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in this Condition 6(b)(iii)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Bonds (subject to the operation of this Condition 6(b)(iii)); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Bonds (subject to the operation of this Condition 6(b)(iii)).

(C) Adjustment Spread

If the Independent Adviser determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(D) Benchmark Amendments

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 6(b)(iii) and the Independent Adviser, determines (i) that amendments to these Conditions, Agency Agreement and/or the Bond Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 6(b)(iii)(E) (*Notices*), without any requirement for the consent or approval of Bondholders, vary these Conditions, the Agency Agreement and/or the Bond Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Bond Trustee, the Calculation Agent and the Paying Agents of a certificate signed by two Directors/Authorised Signatories of the Issuer pursuant to Condition 6(b)(iii)(E) (*Notices*), each of the Bond Trustee, the Calculation Agent and the Paying Agents shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Bondholders, be obliged to concur with the Issuer in using its reasonable endeavours to effect any Benchmark Amendments (including, inter alia, by the execution of a deed or agreement supplemental to or amending the Bond Trust Deed or the Agency Agreement, as applicable), and

for the avoidance of doubt, the Bond Trustee, the Calculation Agent and the Paying Agents shall not be liable to any party for any consequences thereof. Notwithstanding the above, each of the Bond Trustee, the Paying Agents and the Calculation Agent shall not be obliged so to concur if in the opinion of the Bond Trustee, the Paying Agents or the Calculation Agent (as applicable) doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities (in the case of the Bond Trustee, against which it has not been indemnified and/or secured and/or prefunded to its satisfaction, or reduce or amend the protective provisions afforded to it in these Conditions, the Agency Agreement or the Bond Trust Deed and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed or supplemental agency agreement) in any way.

In connection with any such variation in accordance with this Condition 6(b)(iii)(D), the Issuer shall comply with the rules of any stock exchange on which the Bonds are for the time being listed or admitted to trading.

(E) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 6(b)(iii) will be notified promptly by the Issuer to the Bond Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 17 (*Notices*), the Bondholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Bond Trustee of the same, the Issuer shall deliver to the Bond Trustee, the Calculation Agent and the Paying Agents a certificate signed by two Directors/Authorised Signatories of the Issuer:

(I) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate and, (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendment, in each case as determined in accordance with the provisions of this Condition 6(b)(iii); and

(II) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

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

(F) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 6(b)(iii)(A) (*Independent Adviser*), Condition 6(b)(iii)(B) (*Successor Rate or Alternative Rate*), Condition 6(b)(iii)(C) (*Adjustment Spread*) and Condition 6(b)(iii)(D) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 6(ii)(B) (*Screen Rate Determination for Floating Rate Bonds (EURIBOR*) and Condition 6(ii)(C) (*Screen Rate Determination (SONIA)*) will continue to apply unless and until the Issuer determines that a Benchmark Event has occurred.

Notwithstanding any other provision of this Condition 6(b)(iii), if in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 6(b)(iii), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

(G) Definitions:

As used in this Condition 6(b)(iii):

"**Adjustment Spread**" means either (a) a spread (which may be positive or negative) or (b) the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Bondholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;

(ii) in the case of a Successor Rate, if no such recommendation has been made, or in the case of an Alternative Rate, the Independent Adviser determines, is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate;

(iii) in the case of a Successor Rate, if no such recommendation has been made, or in the case of an Alternative Rate, the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(iv) if the Issuer determines that no such industry standard is recognised or acknowledged, the Independent Adviser determines to be appropriate.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 6(b)(iii)(B) (*Successor Rate or Alternative Rate*) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Bonds.

"**Authorised Signatory**" means any person who is duly authorised by any Obligor or any Party (such authorisation not having been withdrawn by notice in writing) and in respect of whom a certificate has been provided to the Trustee 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;

"**Benchmark**" means EURIBOR or SONIA, as may be specified in the applicable Final Terms.

"**Benchmark Amendments**" has the meaning given to it in Condition 6(b)(iii)(D) (*Benchmark Amendments*).

"**Benchmark Event**" means:

(I) the Original Reference Rate ceasing to be published on the Relevant Screen Page for a period of at least 5 Business Days or ceasing to be calculated or administered; or

(2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date, be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will, by a specified date, be prohibited from being used either generally, or in respect of the Bonds, in each case; or

(5) it has or will, by the specified date within the following six months, become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Bondholder using the Original Reference Rate, and

notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (2), (3), (4) and (5) above and the specified date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed to occur until the date falling six months prior to such specified date.

"**Final Terms Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the applicable Final Terms or, if none is so specified, the first day of the Interest Period to which such Interest Determination Date relates.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer at its own cost under Condition 6(b)(iii)(A).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Bonds.

"**Relevant Financial Centre**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London.

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

(1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

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

"**Relevant Rate**" means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Final Terms Effective Date.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuters Market 3000 ("**Reuters**")) as may be specified in the applicable Final Terms for the purpose of providing a Relevant Rate (if the Relevant Rate is not SONIA) or for the purpose of providing the SONIA Relevant Rate (if the Relevant Rate is SONIA), or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates

or prices comparable to that Relevant Rate or the SONIA Reference Rate, as applicable.

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the applicable Final Terms or, if no time 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 Specified Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition "local time" means, with respect to Europe as a Relevant Financial Centre, Brussels time.

"**Representative Amount**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the applicable Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

"**Specified Duration**" means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the applicable Final Terms or, if none is specified, a period of time equal to the relevant Interest Period, ignoring any adjustment pursuant to Business Day Convention set out in Condition 6(b) (*Interest on Floating Rate Bonds*).

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

(iv) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

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

(v) Determination of Rate of Interest and Calculation of Interest Amounts

The Calculation Agent, in the case of Floating Rate Bonds, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Bonds in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the

relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 6(b):

(A) if "Actual/365" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(B) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(C) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(D) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(E) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (x) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (y) the last day of the Interest Period is the last day of the month of February in which case the month of February shall not be considered to be lengthened to a 30-day month));

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

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (\text{Y2} - \text{Y1})] + [30 \text{ x } (\text{M2} - \text{M1})] + (\text{D2} - \text{D1})}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

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

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y2 - Y1)] + [30 \text{ x } (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest 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 D2 will be 30.

(vi) Notification of Rate of Interest and Interest Amounts

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the other Obligors, the Principal Paying Agent, the Bond Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Bonds are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 17 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate 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. For the purposes of this paragraph, the expression "**London Business**

Day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London.

(vii) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6(b), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of manifest error) be binding on the Issuer, the Obligors, the Bond Trustee, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Bondholders, Receiptholders and Couponholders and (in the absence of wilful default, bad faith or manifest error) no liability to the Issuer, the Obligors, the Bond Trustee, the Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(viii) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Period, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation of two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

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

(ix) Interest Act (Canada)

For the purposes of the Interest Act (Canada) and disclosure thereunder, whenever any interest to be paid hereunder or in connection herewith is to be calculated on the basis of a 360-day or 365-day year, the yearly rate of interest to which the rate used in such calculation is equivalent is the rate so used multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or 365, as applicable. The foregoing sentence is for the purposes of disclosure under the Interest Act (Canada) only and not for any other purpose and shall not otherwise affect the terms of the Bonds.

(c) Step Up Option

*This Condition 6(c) (Step Up Option) applies only to Bonds in respect of which the applicable Final Terms indicate that the Step Up Option is applicable (the "**Step Up Bonds**").*

For any Step Up Bonds for which a Step Up Event occurs, if any, the Initial Rate of Interest (in the case of Fixed Rate Bonds) or the Initial Margin (in the case of Floating Rate Bonds) shall be increased by the Step Up Margin specified in the applicable Final Terms in relation to the SPT which triggered the Step Up Event, to be applied for any Interest Period commencing on or after the Interest Payment Date immediately following the Notification Date.

Net Operational Carbon Emissions, Capital Carbon Emissions, Natural Household Water Abstraction and PSR Adoption shall each be reported in the Anglian Water's annual report, which shall disclose (i) the percentage by which Net Operational Carbon Emissions and Capital Carbon Emissions in respect of the relevant Financial Year have reduced compared to the Net Operational Carbon Emissions Baseline or Capital Carbon Emissions Baseline (as applicable), (ii) the average daily amount (in litres per household consumption) of Natural Household Water Abstraction and (iii) the percentage of PSR Adoption in the relevant Financial Year, in each case as calculated in good faith by Anglian Water Services Limited. The Baselines and/or SPTs may be adjusted in good faith to account for Significant Changes if those Significant Changes drive an increase or a decrease in KPI performance of greater than 5 per cent. The Anglian Water Group may also, if it deems such recalculation necessary (acting in good faith), choose to recalculate the relevant Baseline and/or SPT for Significant Changes that drive an increase or decrease in KPI performance of less than 5 per cent., especially when structural changes falling within limb (a) of the definition of "Significant Changes" occur. Any such Baseline adjustments which are deemed necessary will be notified in writing by the Anglian Water Group to the Issuing and Paying Agent, the Bond Trustee and the Bondholders via a regulatory news service, and such notification shall include reasonable details of the reason for such Baseline adjustment. Each Anglian Water Group annual report shall include or be accompanied by a Verification Assurance Report, which will be published on the Verification Publication Date. The performance of the KPIs as of 2025 and 2030 against each corresponding SPT will be notified in writing, by the Anglian Water Group to the Issuing and Paying Agent, the Bond Trustee and the Bondholders on the relevant Notification Date.

A Step Up Event (and a subsequent application of a Step Up Margin) may, in respect of a particular Series of Step Up Bonds, occur independently in respect of any of a Net Operational Carbon SPT, a Capital Carbon SPT, Natural Household Water Abstraction SPT, PSR Adoption SPT or an Additional SPT and, for the avoidance of doubt, following a Step Up Event occurring in respect of a particular Series of Step Up Bonds in respect of any applicable Net Operational Carbon SPT, Capital Carbon SPT, Natural Household Water Abstraction SPT, PSR Adoption SPT or Additional SPT there may be a further Step Up Event in respect of that same Series of Step Up Bonds as a result of the Anglian Water Group subsequently failing to meet the Sustainability Performance Target (to the extent a further Sustainability Performance Target is specified as applicable in the applicable Final Terms) which had not previously resulted in a Step Up Event (resulting in the application of a further Step Up Margin, as specified in the applicable Final Terms).

If a Step Up Event does occur (such that the Initial Rate of Interest (in the case of Fixed Rate Bonds) or Initial Margin (in the case of Floating Rate Bonds) is increased by the Step Up Margin as described above), the Rate of Interest or Margin (as applicable) will not subsequently decrease to the Initial Rate of Interest or the Initial Margin (as applicable) at any time after such occurrence of a Step Up Event, regardless of the Net Operational Carbon Emissions, Capital Carbon Emissions, Natural Household Water Abstraction or PSR Adoption

at any time after that occurrence of a Step Up Event. Any such Step Up Event and Step Up Margin which is applicable will be notified promptly in writing by the Issuer to the Issuing and Paying Agent, the Bond Trustee and the Bondholders.

If the Step Up Event is the Verification Step Up Event, no Step Up Margin will apply provided that (i) the reason for the occurrence of the Verification Step Up Event was outside the control of the Anglian Water Group; (ii) the Issuer certifies to the Note Trustee (with reasonable supporting detail and explanation) that the publication of the relevant Verification Assurance Report has been delayed for reasons outside of the control of the Anglian Water Group; or (iii) the Verification Assurance Report has been published as required by this Condition 6(c) (*Step Up Option*) (the "**Verification Remedy Event**"), and if a Step Up Margin has already been applied in relation to such Verification Step Up Event, it will cease to apply from the date that the Verification Remedy Event has occurred.

In this Condition 6(c) (*Step Up Option*):

"**Additional SPT**" means any additional SPT specified in the applicable Final Terms for a particular issuance of Step Up Bonds, which must apply in respect of either Capital Carbon Emissions or Net Operational Carbon Emissions;

"**Anglian Water Group**" means AWG Parent Co and its Subsidiaries;

"**Baseline**" means the Capital Carbon Emissions Baseline, the Net Operational Carbon Emissions Baseline, Natural Household Water Abstraction Baseline and PSR Adoption Baseline;

"**Capital Carbon Emissions**" means GHG emissions associated with the construction, operation and maintenance of infrastructure assets, including (without limitation) GHG emissions associated with the carbon footprint of the Anglian Water Group as a result of the construction projects undertaken by it within the Perimeter, covering the extraction, transportation and processing of raw materials and from site construction activities required to create or maintain a built asset, or part thereof, measured by tonnes of carbon dioxide equivalent (tCO2e), which for the avoidance of doubt does not include any GHG emissions which form part of the Net Operational Carbon Emissions;

"**Capital Carbon Emissions Baseline**" means the Capital Carbon Emissions Baseline specified in the applicable Final Terms, as may be adjusted in accordance with this Condition 6(c) (*Step Up Option*);

"**Capital Carbon SPT**" means either Capital Carbon SPT(a) or Capital Carbon SPT(b) (or both);

"**Capital Carbon SPT(a)**" means the avoidance of 65 per cent. of Capital Carbon Emissions by 31 March 2025 from the Capital Carbon Emissions Baseline;

"**Capital Carbon SPT(b)**" means the avoidance of 70 per cent. of Capital Carbon Emissions by 31 March 2030 from the Capital Carbon Emissions Baseline;

"**External Verifier**" means any independent accounting or appraisal firm or other independent expert of internationally recognised standing appointed by Anglian Water Services Limited, at its own cost, in each case with the expertise necessary to perform the functions required to be performed by the External Verifier under these Conditions;

"**GHG**" means greenhouse gas;

"**Initial Margin**" means, in respect of Floating Rate Bonds, the Initial Margin specified in the applicable Final Terms;

"**Initial Rate of Interest**" means, in respect of Fixed Rate Bonds, the Initial Rate of Interest specified in the applicable Final Terms;

"**Natural Household Water Abstraction**" means water extracted for household use as a result of, within the Perimeter, the process of extracting water from natural sources, measured by the average daily amount of water (in litres) abstracted directly from rivers, reservoirs and groundwater, for household use, per capita in a year;

"**Natural Household Water Abstraction Baseline**" means the Natural Household Water Abstraction Baseline specified in the applicable Final Terms, as may be adjusted in accordance with this Condition 6(c) (*Step Up Option*);

"**Natural Household Water Abstraction SPT**" means Natural Household Water Abstraction SPT(a) or Natural Household Water Abstraction SPT(b);

"**Natural Household Water Abstraction SPT(a)**" means to reduce the average daily amount of water abstracted directly from rivers, reservoirs and groundwater for household consumption per capita to 189.3 litres per household consumption by 31 March 2025;

"**Natural Household Water Abstraction SPT(b)**" means to reduce the average daily amount of water abstracted directly from rivers, reservoirs and groundwater for household consumption per capita to 179.1 litres per household consumption by 31 March 2030;

"**Net Operational Carbon Emissions**" means all operational GHG emissions (being all Scope 1 emissions, Scope 2 emissions and some Scope 3 emissions which are limited to business travel, outsourced activities within the Perimeter and transmission and distribution losses) measured by $_{t}CO_{2e}$;

"**Net Operational Carbon Emissions Baseline**" means the baseline figures set out in the table below:

	2018/2019 (**Baseline**) *measured in $_{t}CO2e$*
Scope 1	123,302
Scope 2	209,818
Scope 3 (operational GHG emissions)	32,676
Annual gross emissions	365,796
Exported renewables	(9,444)
Net emissions	356,351

"**Net Operational Carbon SPT**" means Net Operational Carbon SPT(a) or Net Operational Carbon SPT(b) (or both);

"**Net Operational Carbon SPT(a)**" means to reduce the Net Operational Carbon Emissions by 30 per cent. by 31 March 2025 from the Net Operational Carbon Emissions Baseline;

"**Net Operational Carbon SPT(b)**" means to reduce the Net Operational Carbon Emissions to zero by 31 March 2030 from the Net Operational Carbon Emissions Baseline;

"**Notification Date**" means a date falling on or before the earlier of: (a) the date falling 15 days after the Verification Publication Date; and (b) 31 July in each calendar year;

"**Perimeter**" means the regulated activity of Anglian Water Services Limited;

"**PSR Adoption Baseline**" means the PSR Adoption Baseline specified in the applicable Final Terms, as may be adjusted in accordance with this Condition 6(c) (*Step Up Option*);

"**Significant Changes**" means:

(a) structural changes in the Perimeter (due to acquisition, a merger, a demerger or other restructuring), an amalgamation, a consolidation or other form of reorganisation with similar effect, a spin-off, a disposal or a sale of assets, which shall not include any organic changes to the Perimeter triggering a recalculation or update of any Baseline and/or SPTs. When significant structural changes occur in the middle of a year, the current and baseline year will be recalculated for the entire year. In the event of an acquisition, in order to ensure that full and accurate data are available, recalculation will be carried out within one year after the structural change has occurred;

(b) methodological changes to the methodology for calculation of any KPI to reflect changes in market practice, the relevant market standards, which individually or in aggregate, has a significant impact on the level of any SPT or any KPI – methodological changes include updated assumptions or calculation methods (including updates in emission factors, where the update is not related to an actual change in the conditions such as annual updates of electricity grid factors);

(c) regulatory changes in or any amendment to any applicable laws, regulations, rules, guidelines and policies relating to the business of the Anglian Water Group, including transition plan disclosure regulation; and

(d) changes in the Anglian Water Group's ability to calculate its SPTs and/or Baseline(s), including for example changes to data accessibility. Recalculation will also be triggered by the discovery of significant error or multiple cumulative errors.

a "**Step Up Event**" occurs if the Anglian Water Group fails to:

(a) as applicable, publish the Verification Assurance Report in 2025 or 2030 by the Verification Publication Date in such year except where a Verification Remedy Event has occurred; and/or

(b) meet the Net Operational Carbon SPT(a); and/or

(c) meet the Net Operational Carbon SPT(b); and/or

(d) meet the Capital Carbon SPT(a); and/or

(e) meet the Capital Carbon SPT(b); and/or

(f) meet the Natural Household Water Abstraction SPT(a); and/or

(g) meet the Natural Household Water Abstraction SPT(b); and/or

(h) meet the PSR Adoption SPT(a); and/or

(i) meet the PSR Adoption SPT(b); and/or

(j) meet any applicable Additional SPT,

provided that following a Step Up Event in respect of a particular Series of Step Up Bonds and in respect of either a Net Operational Carbon SPT, a Capital Carbon SPT, a Natural Household Water Abstraction SPT or a PSR Adoption SPT or any applicable Additional SPT, there may be a further Step Up Event in respect of the same Series of Step Up Bonds as a result of the Anglian Water Group subsequently failing to meet the relevant Sustainability Performance Target (to the extent a further Sustainability Performance Target is specified as applicable in the applicable Final Terms) which had not previously resulted in a Step Up Event;

"**Step Up Margin**" means the amount specified in the applicable Final Terms as being the applicable Step Up Margin for the relevant Sustainability Performance Target;

"**Sustainability Performance Targets**" or "**SPT**" means (as applicable) the Net Operational Carbon SPT, the Capital Carbon SPT, the Natural Household Water Abstraction SPT, the PSR Adoption SPT and/or any Additional SPT as specified in the applicable Final Terms;

"**$_{t}CO_{2e}$**" means tonnes of carbon dioxide equivalent;

"**Verification Assurance Report**" means a verification assurance report prepared at the expense of the Issuer in which the External Verifier verifies the performance by the Anglian Water Group of each KPI according to each corresponding SPT;

"**Verification Publication Date**" means the date the Verification Assurance Report is published, which shall be no later than 120 days after 31st March in each year; and

"**Verification Step Up Event"** means the Step Up Event described in limb (a) of that definition.

(d) Interest on Dual Currency Interest Bonds

The rate or amount of interest payable in respect of Dual Currency Interest Bonds shall be determined in the manner specified in the applicable Final Terms.

(e) Accrual of interest

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

(f) [Not used]

(g) Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts

As soon as practicable after the Specified Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (as specified in the applicable Final Terms) (an "**Instalment Amount**"), obtain any quote or make any determination or calculation, the Calculation Agent 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 Conditions 8(b) *(Application of the Index Ratio (RPI))* or 8(e) (*Application of the Index Ratio (HICP)*) or 8(h) *(Application of the Index Ratio (CPI and CPIH)*), 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 or any Principal Amount Outstanding or any Instalment Amount to be notified to, in the case of Bearer Bonds, the Principal Paying Agent 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 as soon as practicable after its determination. 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 Calculation Agent pursuant to this Condition 6 or Condition 8 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

7 Payments

(a) Method of payment

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, New Zealand dollars or Canadian dollars, shall be Sydney, Auckland and Toronto, respectively); and

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

Payments will be subject in all cases to: (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(b) Presentation of definitive Bearer Bonds, Receipts and Coupons

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

Payments of instalments of principal (if any) in respect of definitive Bearer Bonds, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 7(a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 7(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Bond to which it appertains. Receipts presented without the definitive Bearer Bond to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Bond becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Bonds in definitive bearer form (other than Dual Currency Bonds, Index Linked Bonds or Long Maturity Bonds (as defined below)) should be presented for payment together with all unmatured Coupons and Receipts, if applicable, appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 11) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 11) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

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

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

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

(c) Payments in respect of Bearer Global Bonds

Payments of principal and interest (if any) in respect of Bonds represented by any Global Bond in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Bonds and otherwise in the manner specified in the relevant Global Bond against presentation or surrender, as the case may be, of such Global Bond at the specified office of any Paying Agent outside the United States. If the Global Bond is a CGN, a record of each payment made against presentation or surrender of any Global Bond in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Bond by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made. If the Global Bond is a NGN, the Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant clearing system and the nominal amount of the Bonds recorded in the records of the relevant clearing system and represented by the Global Bond will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge.

(d) Payments in respect of Registered Bonds

Payments of principal in respect of each Registered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Bond appearing in the register of holders of the Registered Bonds maintained by the Registrar (the "**Register**") at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Bonds held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars, New Zealand dollars or Canadian dollars, shall be Sydney, Auckland and Toronto, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest in respect of each Registered Bond (in definitive form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Bond appearing in the Register at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business

days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Bond, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Bonds which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Bond on redemption will be made in the same manner as payment of the principal amount of such Registered Bond.

Holders of Registered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Bonds.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Bond in registered form in respect of Bonds denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

All payments in respect of Bonds 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 any day on which the relevant clearing system is open for business, which for Euroclear and Clearstream, Luxembourg is Monday to Friday inclusive except 25 December and 1 January.

None of the Issuer or the other Obligors, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) General provisions applicable to payments

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

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Bonds is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Bond will be made at the specified office of a Paying Agent in New York City if:

(i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(f) Payment Day

If the date for payment of any amount in respect of any Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means:

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

(ii) in the case of any payment in respect of a Registered Global Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

(g) Interpretation of principal and interest

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

(i) any additional amounts which may be payable with respect to principal under Condition 10 or under any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Bond Trust Deed or the applicable Final Terms;

(ii) the Final Redemption Amount of the Bonds;

(iii) the Early Redemption Amount of the Bonds;

(iv) the Optional Redemption Amount(s) (if any) of the Bonds;

(v) in relation to Zero Coupon Bonds, the Amortised Face Amount (as defined in Condition 9(e));

(vi) in relation to Instalment Bonds, the Instalment Amounts (as set out in the applicable Final Terms); and

(vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Bonds.

Any reference in these Conditions to interest in respect of the Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under

Condition 10 or under any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Bond Trust Deed or the applicable Final Terms.

8 Indexation

The provisions of this Condition 8 apply only if the applicable Final Terms specify the Bonds as Index Linked Bonds.

(a) Where RPI is specified as the Index or Index Figure (each as defined below) in the applicable Final Terms, the following Conditions 8(a) to 8(c) will apply. Where HICP is specified as the Index or Index Figure (each as defined below) in the applicable Final Terms, the following Conditions 8(d) to 8(f) will apply. Where CPI or CPIH is specified as the Index or Index Figure (each as defined below) in the applicable Final Terms, the following Conditions 8(g) to 8(i) will apply.

(b) Definitions (RPI)

In these Terms and Conditions:

"**Base Index Figure**" means, subject as provided in Condition 8(c) 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 8(c) below, RPI (for all items) published by the Office for National Statistics (January 1987 = 100) (currently contained in the Monthly Digest of Statistics), or any comparable index which may replace such index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Any reference to the "Index Figure applicable" to a particular month shall, subject as provided in Condition 8(c) below, be calculated in accordance with the following formula:

$$\text{IFA} = \text{RPI}_{m\text{-}t} + \left(\frac{Day\ of\ Calculation\ Date - 1}{Days\ in\ month\ of\ Calculation\ Date}\right) \text{x } \left(RPI_{m-(t-1)} - RPI_{m-t}\right)$$

"**Index Ratio**" applicable to any month means the Index Figure applicable to such month divided by the Base Index Figure;

"**Reference Gilt**" means the reference gilt specified in the applicable Final Terms; and

"**RPI $_{m\text{-}t}$**" 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 it has a value of 1 to 24 as specified in the applicable Final Terms.

(c) 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 applicable

to the month in which such payment falls to be made and rounded to four decimal places (0.00005 being rounded upwards).

(d) Changes in circumstances affecting the Index (RPI)

(i) If at any time and from time to time the Index shall be changed by the substitution of a new base therefor, then with effect from, and including, the calendar month in which such substitution takes effect:

(A) the definition of "**Index**" and "**Index Figure**" shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, such other date or month as may have been substituted therefor under this paragraph (i)); and

(B) the new Base Index Figure shall be the product of the then-existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) If the Index Figure normally published in any month relevant for determining the Index Figure (the "**relevant month**") is not published on or before the fourteenth Business Day before the date (the "**date for payment**") on which such payment is due, the Index Figure applicable to such month shall be:

(A) such substitute index figure (if any) as the Issuer considers (acting solely on the advice of the Indexation Adviser), to have been published by the United Kingdom Debt Management Office 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 internationally recognised gilt-edged market maker or other financial adviser recognised as having expertise in the indexation matters selected by the Issuer (the "**Indexation Adviser**"); or

(B) if no such determination is made by the Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to paragraph (A) above before the date for payment).

Where the provisions of sub-paragraph (ii) above 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 paragraph (B) above, the Index Figure relating to the relevant month is subsequently published while a Bond is still outstanding, then:

(x) in relation to a payment of principal or interest in respect of such Bond other than upon redemption in full of such Bond, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to, respectively, the shortfall or excess of the amount of the relevant payment made on the basis of the substitute Index Figure applicable by virtue of paragraph (B) above either 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

(y) in relation to a payment of principal or interest upon redemption in full of a Bond, no subsequent adjustment to amounts paid will be made.

(iii)

(A) If:

(I) the Bond Trustee has been notified by the Principal Paying Agent that the Index has ceased to be published; or

(II) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which could, in the opinion of (x) the Issuer be materially prejudicial to the interests of the Issuer; or (y) the Bond Trustee, acting solely on the advice of the Indexation Adviser, be materially prejudicial to the interests of the Bondholders,

the Bond Trustee will give written notice of such occurrence to the Issuer in the case of (I) and (II)(y) above and the Issuer will give written notice of such occurrence to the Bond Trustee (in the event of (II)(x) above), and the Issuer and the Bond Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no 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.

(B) If the Issuer and the Bond Trustee (acting solely on the advice of the Indexation Adviser) fail to reach such agreement within 20 Business Days following the giving of such notice by the Bond Trustee, a bank or other person in London shall be appointed by the Issuer and the Bond Trustee, or, failing agreement on such appointment within 20 Business Days following the expiry of the 20 day period referred to above, by the Bond Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the 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 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.

(C) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Bond Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Bond Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer may determine, 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 and the Issuer shall

give notice to the Bondholders in accordance with Condition 17 of such amendments as promptly as practicable following such notification.

Where HICP (as defined in Condition 8(d) below) is specified as the Index or Index Level (each as defined in condition 8(d) below) in the applicable Final Terms, the following Conditions 8(d) to 8(f) will apply:

(e) Definitions (HICP)

"**Base Index Level**" means the base index level as specified in the applicable Final Terms;

"**Index**" or "**Index Level**" means (subject as provided in Condition 8(g)) the Non-revised Index of Consumer Prices excluding tobacco or relevant Successor Index (as defined in Condition 8(f)(ii)), measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by Eurostat (the "**HICP**"). The first publication or announcement of a level of such index for a calculation month (as defined in Condition 8(f)(i)) shall be final and conclusive and later revisions to the level for such calculation month will not be used in any calculations. Any reference to the Index Level which is specified in these Conditions as applicable to any day ("**d**") in any month ("**m**") shall, subject as provided in Condition 8(f) below, be calculated as follows:

$$I_d = HICP_{m\text{-}t}\left(\frac{nbd}{q_m}\right) x \left(HICP_{m-(t-1)} - HICP_{m-t}\right)$$

where:

"**Id**" is the Index Level for the day d

"**HICP $_{m\text{-}t}$**" is the level of HICP for month m-t where t has a value of 1 to 24 as specified in the applicable Final Terms

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

"**q_m**" is the actual number of days in month m,

provided that if Condition 8(g) applies, the Index Level shall be the Substitute Index Level determined in accordance with such Condition;

"**Index Business Day**" means a day on which T2 is operating;

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

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

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

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

(f) Application of the Index Ratio (HICP)

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

(g) Changes in Circumstances Affecting the Index (HICP)

(i) Delay in publication of Index

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

(1) if applicable, the Calculation Agent will take the same action to determine the "**Substitute Index Level**" for the Affected Payment Date as that taken by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Bond;

(2) if (1) above does not result in a Substitute Index Level for the Affected Payment Date for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

Substitute Index Level = Base Level x (Latest Level / Reference Level) Where:

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

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

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

(b) If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Interest Payment Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 8(f)(i) will be the definitive level for that calculation month.

(ii) Cessation of publication: If the Index Level has not been published or announced for two consecutive months or Eurostat announces that it will no longer continue to publish or announce the Index then the Calculation Agent shall determine a successor index in lieu of any previously applicable Index (the "**Successor Index**") by using the following methodology:

(a) if at any time (other than after an Early Termination Event (as defined below) has been designated by the Calculation Agent pursuant to paragraph (e) below) a successor index has been designated by the Calculation Agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Bond, such successor index shall be designated the "Successor Index" for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraphs (b), (c) or (d) below; or

(b) if a Successor Index has not been determined under paragraph (a) above (and there has been no designation of an Early Termination Event pursuant to paragraph (e) below), and a notice has been given or an announcement has been made by Eurostat (or any successor entity which publishes such index) specifying that the Index will be superseded by a replacement index specified by Eurostat (or any such successor), and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index from the date that such replacement index comes into effect; or

(c) if a Successor Index has not been determined under paragraphs (a) or (b) above (and there has been no designation of an Early Termination Event pursuant to paragraph (e) below), the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "Successor Index". If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the "Successor Index". If fewer than three responses are received or two or more leading independent dealers do not state the same index, the Calculation Agent will proceed to paragraph (d) below;

(d) if no Successor Index has been determined under paragraphs (a), (b) or (c) above on or before the fifth Index Business Day prior to the next Affected Payment Date the Calculation Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be the "Successor Index";

(e) if the Calculation Agent determines that there is no appropriate alternative index, the Issuer shall, in conjunction with the Calculation Agent, determine an appropriate alternative index. If the Issuer, in conjunction with the Calculation Agent, do not reach agreement on an appropriate alternative index within a period of ten Business Days, then an "**Early Termination Event**" will have occurred and the Issuer will redeem the Bonds pursuant to Condition 9(b).

(iii) Rebasing of the Index: If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the "**Rebased Index**") will be used for the purposes of determining each relevant Index Level from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Bond to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made.

(iv) Material Modification Prior to Interest Payment Date: If, on or prior to the day that is five Business Days before an Interest Payment Date, Eurostat announces that it will make a material change to the Index then the Calculation Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Bond.

(v) Manifest Error in Publication: If, within thirty days of publication, the Calculation Agent determines that Eurostat (or any successor entity which publishes such index) has corrected the level of the Index to remedy a manifest error in its original publication, the Calculation Agent will notify (i) the Issuer, the Bond Trustee and the relevant Bondholders of (A) that correction, and (B) the amount that is payable as a result of that correction and (ii) take such other action as it may deem necessary to give effect to such correction.

Where CPI or CPIH is specified as the Index or Index Figure (each as defined below) in the applicable Final Terms, the following Conditions 8(g) to 8(i) will apply:

(h) Definitions (CPI and CPIH)

In these Terms and Conditions:

"**Base Index Figure**" means, subject as provided in Condition 8(i) 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 8(i) below, (i) if U.K. 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 U.K. 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 in the applicable Final Terms, any reference to the Index Figure applicable to any Calculation Date shall, subject to Condition 8(i) below, be calculated in accordance with the following formula:

$$IFA = CPI_{m-t} + \frac{(\text{Day of Calculation date} - 1)}{(\text{Days in month of Calculation Date})} \text{x} \left(CPI_{m-(t-1)} - CPI_{m-t}\right)$$

and rounded to five decimal places (0.000005 being rounded upwards)

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 the Calculation Date occurs where t has a value of 1 to 24 as specified in the applicable Final Terms;

Where CPIH is specified as the Index in the applicable Final Terms, any reference to the Index Figure applicable to any Calculation Date shall, subject to Condition 8(i) below, be calculated in accordance with the following formula:

$$IFA = CPIH_{m-t} + \frac{(\text{Day of Calculation date} - 1)}{(\text{Days in month of Calculation Date})} \text{x} \left(CPIH_{m-(t-1)} - CPIH_{m-t}\right)$$

and rounded to five decimal places (0.000005 being rounded upwards)

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 the Calculation Date occurs where t has a value of 1 to 24 as specified in the applicable Final Terms;

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

"**Index Ratio**" applicable to any Calculation Date means the Index Figure applicable to such Calculation Date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards).

(i) 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 Calculation Date for such payment rounded to five decimal places (0.000005 being rounded upwards).

(j) 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 8(g) 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:

(x) the Bond Trustee has been notified by the Calculation Agent that the Index has ceased to be published; or

(y) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which could, in the opinion of (i) the Issuer be materially prejudicial to the interest of the Issuer; or (ii) the Bond Trustee, acting solely on the advice of the Indexation Advisor, be materially prejudicial to the interests of the Bondholders,

the Bond Trustee will give written notice of such occurrence to the Issuer in the case of (x) and (y)(ii) above and the Issuer will give written notice of such occurrence to the Bond Trustee (in the event of (y)(i) above), and the Issuer and the Bond Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no 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.

(B) If the Issuer and the Bond Trustee (acting solely on the advice of the Indexation Advisor) fail to reach such agreement within 20 Business Days following the giving of such notice by the Bond Trustee, a bank or other person in London shall be appointed by the Issuer and the Bond Trustee, or, failing agreement on such appointment within 20 Business Days following the expiry of the 20 day period referred to above, by the Bond Trustee (acting solely on the advice of the Indexation Advisor) (in each case, such bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no 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 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.

(C) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Bond Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any

Index Figure shall be deemed amended in such manner as the Issuer and the Bond Trustee (acting solely on the advice on the Expert) may determine, 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 and the Issuer shall give notice to the Bondholders in accordance with Condition 17 of such amendments as promptly as practicable following such notification.

9 Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Bond (including each Index Linked Redemption Bond and Dual Currency Redemption Bond) will be redeemed by the Issuer at its Final Redemption Amount (subject, in the case of Index Linked Redemption Bonds, to adjustments for indexation in accordance with Condition 8) specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) Early Redemption for Index reasons

If RPI is specified as the Index or Index Figure in the applicable Final Terms and the Index Figure fails to be determined for three consecutive months other than on the basis provided in Condition 8(c)(ii) and the Bond Trustee has been notified by the Principal Paying Agent that publication of the Index has ceased and no amendment or substitution of the Index shall have been advised by the Indexation Adviser to the Issuer, the Issuer may, on any Interest Payment Date upon which the circumstances described above are continuing, having given not more than the maximum period nor less than the minimum period of notice specified in the applicable Final Terms to the Bond Trustee, the Security Trustee, the Majority Creditors and the holders of Index Linked Bonds in accordance with Condition 17 (which notice shall be irrevocable) redeem all, but not some only, of the Index Linked Bonds at their Early Redemption Amount, together with interest accrued up to and including the date of redemption.

If HICP is specified as the Index or Index Level in the applicable Final Terms and if an Early Termination Event as described under Condition 8(f)(ii)(e) has occurred, the Issuer will, upon giving not more than the maximum period nor less than the minimum period of notice specified in the applicable Final Terms to the holders of Index Linked Bonds in accordance with Condition 17, redeem all, but not some only, of the Index Linked Bonds at their Early Redemption Amount together with interest accrued but unpaid up to and including the date of redemption**.**

If CPI or CPIH is specified as the Index or Index Figure in the applicable Final Terms and the Index Figure fails to be determined for three consecutive months other than on the basis provided in Condition 8(i)(ii) and the Bond Trustee has been notified by the Calculation Agent that publication of the Index has ceased, the Issuer will, upon giving not more than the maximum period nor less than the minimum period of notice specified in the applicable Final Terms to the holders of Index Linked Bonds in accordance with Condition 17, redeem all, but not some only, of the Index Linked Bonds at their Early Redemption Amount together with interest accrued but unpaid up to and including the date of redemption**.**

(c) Redemption for tax reasons

If the Issuer satisfies the Bond Trustee that the Issuer would, on the next Interest Payment Date, (i) in respect of Bonds other than those specified in the applicable Final Terms as USPP Bonds, become obliged to deduct or withhold from any payment of interest or principal (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 any political subdivision thereof, or any other authority thereof, or (ii) in respect of Bonds specified in the applicable Final Terms as USPP Bonds, become obliged to pay additional amounts as described under Condition 10(b) (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision thereof, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Bonds, then the Issuer may, in order to avoid the relevant deduction or withholding (in the case of Bonds which are not USPP Bonds) or additional payment obligation (in the case of USPP Bonds), use its reasonable endeavours to arrange substitution of a company incorporated in another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds and as lender or creditor under the Intercompany Loan Arrangements upon satisfying the conditions for substitution of the Issuer as set out in the STID (and referred to in Condition 18). If the Issuer is unable to arrange a substitution as described above and, as a result, the relevant deduction, withholding or additional payment obligation (as the case may be) is continuing then the Issuer may, except as otherwise provided in the applicable Final Terms, upon giving not more than the maximum period nor less than the minimum period of notice specified in the applicable Final Terms to the Bond Trustee, the Security Trustee, the Majority Creditors and the Bondholders by the publication of a notice of redemption, in accordance with Condition 17, redeem all (but not some only) of the Bonds on any Interest Payment Date at their Early Redemption Amount plus accrued but unpaid interest thereon.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Bond Trustee, and make available at its specified office to the Bondholders, a certificate signed by two Directors of the Issuer 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. The Bond Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of such conditions precedent in which event they shall be conclusive and binding on the Bondholders, the Receiptholders and the Couponholders.

Bonds redeemed pursuant to this Condition 9(c) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption (adjusted, in the case of Index Linked Bonds, for indexation in accordance with Condition 8 (the Index Ratio for this purpose being that applicable pursuant to (in the case of RPI being the applicable Index or Index Figure) Condition 8(c)(ii)(B), (in the case of HICP being the applicable Index or Index Level) Condition 8(d) or (in the case of CPI or CPIH being the applicable Index or Index Figure) Condition 8(g), in each case, up to and including the date of redemption)).

(d) Redemption at the option of the Issuer

This Condition 9(d) applies to Bonds which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation reasons). The applicable Final Terms contains provisions applicable to any Issuer Maturity Call, Issuer Call or Clean-up Call and must be read in conjunction with this Condition 9(d) for full information on any Issuer Maturity Call, Issuer Call or Clean-up Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), Optional Call Date, the Optional Redemption Amount, any minimum or maximum amount of Bonds which can be redeemed and the applicable notice periods, as applicable in each case.

Issuer Maturity Call

If Issuer Maturity Call is specified as being applicable in the applicable Final Terms, the Issuer may (having provided the applicable Issuer Maturity Call Notice and specifying the applicable Issuer Maturity Call Redemption Date) redeem or purchase, in whole or in part, the Bonds then outstanding at any time during the period commencing on (and including) the day that falls 90 days prior to the Maturity Date to (but excluding) the Maturity Date (the "**Issuer Maturity Call Period**"), at the Final Redemption Amount specified in the applicable Final Terms, together (if appropriate) with any accrued but unpaid interest to (but excluding) the date fixed for redemption (the "**Issuer Maturity Call**").

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Bonds, or in the case of Registered Bonds shall specify the nominal amount of Registered Bonds drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

For the purposes of the above paragraph:

"**Issuer Maturity Call Redemption Date**" is the date specified as such in the Issuer Maturity Call Notice.

"**Issuer Maturity Call Notice**" means, in respect of an Issuer Maturity Call, if the Issuer has given:

(1) not less than the minimum period nor more than the maximum period of notice specified as the "Issuer Maturity Call Notice Period" in the applicable Final Terms to the Bondholders in accordance with Condition 17 (*Notices*); and

(2) not less than 15 days before the giving of the notice referred to in (1) above, notice to the Principal Paying Agent and the Bond Trustee and, in the case of a redemption of Registered Bonds, the Registrar, and any such notice shall be irrevocable and shall specify the date fixed for redemption.

Issuer Call

If Issuer Call and Euro Optional Redemption Price are specified as being applicable in the applicable Final Terms, the Issuer may, (having provided the applicable Issuer Call Notices and specifying the applicable Optional Redemption Date) redeem all, but not some only, of

the Bonds at the Euro Optional Redemption Price together with interest accrued to but excluding the applicable Optional Redemption Date.

For the purposes of the above paragraph:

"**Euro Optional Redemption Price**" means, in respect of each relevant Bond, (a) the nominal amount of such Bond or, if higher, (b) the sum of the then present values of the remaining scheduled payments of principal and interest on such Bond to be redeemed from the applicable Optional Redemption Date to the Maturity Date (or, if the Issuer Maturity Call is specified as applicable in the Final Terms, the day immediately prior to the first day of the Issuer Maturity Call Period) in each case, discounted to the applicable Optional Redemption Date in respect of EUR on an annual basis (based on the Day Count Fraction specified in the applicable Final Terms) at the Reference Dealer Rate (as defined below) plus any applicable Redemption Margin specified in the applicable Final Terms, in each case as determined by the Calculation Agent;

"**Reference Dealers**" means those Reference Dealers selected by the Issuer; and

"**Reference Dealer Rate**" means with respect to the Reference Dealers and the Optional Redemption Date in respect of EUR, the average of the three quotations of the mid-market annual yield to maturity of the Reference Stock specified in the applicable Final Terms or, if the Reference Stock is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers, at the Determination Time on the Determination Date, each as specified in the applicable Final Terms, quoted in writing to the Calculation Agent and the Bond Trustee by the Reference Dealers (at the request of the Issuer).

If Issuer Call and USD Optional Redemption Price are specified in the applicable Final Terms, the Issuer may (having provided the applicable Issuer Call Notices and specifying the applicable Optional Redemption Date) redeem all, but not some only, of the relevant Bonds at the USD Optional Redemption Price together with unpaid interest accrued to but excluding the applicable Optional Redemption Date.

For the purposes of the above paragraph:

"**USD Optional Redemption Price**" means, in respect of each relevant Bond, (a) the principal amount of such Bond or, if higher (b) an amount equal to the sum of the then present values of the remaining scheduled payments of principal of such Bond, together with the present values of the scheduled interest payments from the applicable Optional Redemption Date in respect of USD to the Maturity Date (or, if the Issuer Maturity Call is specified as applicable in the Final Terms, the day immediately prior to the first day of the Issuer Maturity Call Period) in each case, discounted to the applicable Optional Redemption Date in respect of USD on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus any applicable Redemption Margin specified in the applicable Final Term, all as determined by the Calculation Agent. For the purposes hereof, "**U.S. Treasury Rate**" means either (i) the rate per annum equal to the yield, that represents the average of the daily yields for the week immediately preceding the Determination Date specified in the applicable Final Terms, derived from the most recently published statistical release designated "H.15" or any successor publication that is published by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities" for the maturity corresponding to the Comparable Treasury Issue (if

no maturity is within three months before or after the Maturity Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the Determination Date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Optional Redemption Date, in each case calculated on the Determination Date;

"**Comparable Treasury Issue**" means the United States Treasury security selected by the Issuer (and notified to the Calculation Agent in writing) as having a maturity comparable to the remaining term of the relevant Bonds from the applicable Optional Redemption Date in respect of USD to the Maturity Date (or, if the Issuer Maturity Call is specified as applicable in the Final Terms, the day immediately prior to the first day of the Issuer Maturity Call Period), that the Issuer and/or the relevant Dealer (for non-syndicated issues) or the relevant lead manager (for syndicated issues) determines would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Maturity Date (or, if the Issuer Maturity Call is specified as applicable in the Final Terms, the day immediately prior to the first day of the Issuer Maturity Call Period);

"**Comparable Treasury Price**" means, with respect to any applicable Optional Redemption Date in respect of USD, the average of three, or such lesser number as is obtained by the Issuer (and notified to the Calculation Agent in writing), Reference Treasury Dealer Quotations for the applicable Optional Redemption Date in respect of USD;

"**Reference Treasury Dealer**" means the Reference Treasury Dealer selected by the Issuer at the relevant time; and

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and any applicable Optional Redemption Date in respect of USD, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Calculation Agent (at the request of the Issuer) by such Reference Treasury Dealer selected by the Issuer at the Determination Time specified in the applicable Final Terms on the Determination Date.

If Issuer Call and CAD Optional Redemption Price are specified as being applicable in the applicable Final Terms, the Issuer may (having provided the applicable Issuer Call Notices and specifying the applicable Optional Redemption Date) redeem all, but not some only, of the relevant Bonds at the CAD Optional Redemption Price together with unpaid interest accrued to but excluding the applicable Optional Redemption Date.

For the purposes of the above paragraph:

"**CAD Optional Redemption Price**" means, in respect of each relevant Bond, an amount equal to the greater of (a) the Outstanding Principal Amount of the relevant Bond and (b) the Canada Yield Price.

"**Canada Yield Price**" means, in respect of each relevant Bond, an amount equal to the sum of the then present values of the remaining scheduled payments of principal and interest on such Bond to be redeemed from the applicable Optional Redemption Date to the Maturity Date (or, if the Issuer Maturity Call is specified as applicable in the Final Terms, the day immediately prior to the first day of the Issuer Maturity Call Period) in each case, discounted to the applicable Optional Redemption Date in respect of CAD on an annual basis at the Government of Canada Yield plus such percentage rate over or under such Government of Canada Yield (if any) specified in the relevant Final Terms.

"**Government of Canada Yield**" means, on any date, the arithmetic average (rounded to the nearest 1/100 of 1 per cent.) of the yield to maturity, quoted (at the request of the Issuer) by two nationally recognized Canadian Government securities dealers having offices in the city of Toronto selected by the Issuer on such date (and notified to the Calculation Agent in writing), as the yields which a non-callable Government of Canada Bond would produce, if issued in Canadian dollars in Canada on such date, at 100 per cent. of its principal amount with a term to maturity approximately equal to the remaining term to the Maturity Date (or, if the Issuer Maturity Call is specified as applicable in the Final Terms, the day immediately prior to the first day of the Issuer Maturity Call Period).

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given:

(ii) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Bondholders in accordance with Condition 17; and

(iii) not less than 15 days before the giving of the notice referred to in (i) above, notice to the Principal Paying Agent and the Bond Trustee and, in the case of a redemption of Registered Bonds, the Registrar,

(the "**Issuer Call Notices**") (which notices shall be irrevocable and shall specify the date fixed for redemption and, in the case of the USPP Bonds (as defined in Condition 9(i) below), such notice shall be accompanied by a certificate of a Director of the Issuer as to the estimated Make-Whole Amount due in connection with such redemption (calculated as if the date of such notice were the date of redemption) together with details of such computation), redeem all or some only of the relevant Bonds then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date (the "**Issuer Call**"). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of the USPP Bonds, the Optional Redemption Amount shall be the outstanding nominal amount of the USPP Bond plus the Make-Whole Amount, if any.

In the case of a partial redemption of Bonds, the Bonds to be redeemed ("**Redeemed Bonds**") will be selected individually by lot, in the case of Redeemed Bonds represented by definitive Bonds, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC and/or CDS (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Bonds represented by a Global Bond, not more than 30 days prior to the date fixed

for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Bonds represented by definitive Bonds, a list of the serial numbers of such Redeemed Bonds will be published in accordance with Condition 17 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Bonds represented by definitive Bonds or represented by a Global Bond shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Bonds as the aggregate nominal amount of definitive Bonds outstanding and Bonds outstanding represented by such Global Bond, respectively, bears to the aggregate nominal amount of the Bonds outstanding, in each case on the Selection Date, provided that, such first mentioned amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate nominal amount of Redeemed Bonds represented by a Global Bond shall be equal to the balance of the Redeemed Bonds. No exchange of the relevant Global Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (d) and notice to that effect shall be given by the Issuer to the Bondholders in accordance with Condition 17 at least five days prior to the Selection Date.

Where Spens Price is specified in the applicable Final Terms as being the Optional Redemption Amount, the Optional Redemption Amount in respect of each Bond shall be the higher of the following:

(i) in respect of both Index Linked Bonds and non-Index Linked Bonds, its outstanding nominal amount (adjusted, in the case of Index Linked Bonds, for indexation in accordance with Condition 8 (the Index Ratio for this purpose being that applicable pursuant to (in the case of RPI being the applicable Index or Index Figure) Condition 8(c)(ii)(B), (in the case of HICP being the applicable Index or Index Level) Condition 8(d) or (in the case of CPI or CPIH being the applicable Index or Index Figure) Condition 8(g), in each case, up to and including the date of redemption); and

(ii) the price determined to be appropriate by an internationally recognised investment bank or financial adviser in London recognised as having expertise in indexation matters (selected by the Issuer and notified in writing to the Bond Trustee) as being the price at which the Gross Redemption Yield (as defined below) on the Bonds on the Reference Date (as defined below) is equal to: (1) (in the case of (I) Bonds where no Redemption Margin is specified in the applicable Final Terms and (II) Index Linked Bonds where RPI or HICP is the applicable Index or Index Figure) 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 and notified in writing to the Bond Trustee), determine to be appropriate and (2) (in the case of (I) Fixed Rate Bonds where a Redemption Margin is specified in the applicable Final Terms and (II) Index Linked Bonds where CPI or CPIH is 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 and notified in writing to the Bond Trustee), determine to be appropriate; and (B) such Redemption Margin as may be specified in the applicable Final Terms.

For the purposes of paragraph (ii) above:

"**Gross Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication "*Formulae for Calculating Gilt Prices from Yields*" page 4, Section One, Price/Yield Formulae: "*Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date*" (published 8 June 1998) (as amended or supplemented from time to time), provided that, for the purpose of calculating the Gross Redemption Yield on Index Linked Bonds in respect of which HICP, CPI or CPIH is specified as the applicable Index, any references to RPI (or the U.K. Retail Price Index) therein shall be read and construed as references to HICP, CPI or CPIH (as applicable) if HICP, CPI or CPIH is not covered by such publication;

"**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this paragraph (d), as the case may be; and

"**Reference Gilt**" means the reference gilt specified in the applicable Final Terms.

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

Clean-up Call

If a Clean-up Call is specified as being applicable in the applicable Final Terms, the Issuer may, if 75 per cent. (or any higher percentage specified in the applicable Final Terms) (the "**Clean-up Call Percentage**") in nominal amount of the Bonds issued (which for the avoidance of doubt includes any additional Bond issued subsequently and forming a single series with the first Tranche of a particular Series of Bonds) have been redeemed or purchased pursuant to the operation of (unless otherwise specified in the applicable Final Terms) any of Condition 9(d) and/or Condition 9(e) and/or Condition 9(f) and/or Condition 9(g), on giving not less than 15 nor more than 30 days' irrevocable notice to Bondholders (or such other notice period as may be specified in the applicable Final Terms) (such notice being given within 30 days after the relevant redemption or purchase, as the case may be, redeem or purchase (or procure the purchase of) all but not some only of the remaining outstanding Bonds at their Early Redemption Amount together with interest accrued to (but excluding) the date fixed for such redemption or repurchase.

(e) Early Redemption Amounts

For the purpose of paragraphs (b) and (c) above and following an Event of Default (save as may otherwise be provided in these Conditions), each Bond will be redeemed at its Early Redemption Amount calculated as follows:

(i) in the case of a Bond (other than a Zero Coupon Bond with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Bond is denominated), at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount (adjusted, in the case of Index Linked Bonds, for indexation in accordance with

Condition 8 (the Index Ratio for this purpose being that applicable pursuant to (in the case of RPI being the applicable Index or Index Figure) Condition 8(c)(ii)(B), (in the case of HICP being the applicable Index or Index Level) Condition 8(d) or (in the case of CPI or CPIH being the applicable Index or Index Figure) Condition 8(g), in each case, up to and including the date of redemption)); or

(ii) in the case of a Zero Coupon Bond, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x (1 + AY) y

where:

"**RP**" means the Reference Price;

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

"**y**" is the Day Count Fraction specified in the applicable Final Terms which will be either 30/360 in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Bond becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Bond becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Bond to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Bond becomes due and repayable and the denominator will be 365).

(f) Purchases

The Obligors may at any time purchase Bonds (provided that, in the case of definitive Bearer Bonds, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise provided that the Obligors will not and will not permit any Affiliate to purchase or otherwise acquire, directly or indirectly, any of the outstanding USPP Bonds except pursuant to an offer to purchase made by such Obligor or an Affiliate pro rata to the holders of the USPP Bonds at the time outstanding upon the same terms and conditions to each such holder of the USPP Bonds. Any such offer to the holders of the USPP Bonds shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 30 Business Days. If the holders of more than 25 per cent. of the nominal amount of the USPP Bonds then outstanding accept such offer, the Issuer shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of USPP Bonds of such offer shall be extended by the number of days necessary to give each such remaining holder at least 10 Business Days from its receipt of such notice to accept such offer. If purchases are made by tender, tenders must be available to all Bondholders alike.

(g) Cancellation

Bonds which are redeemed will forthwith be cancelled (together with all unmatured Coupons, Receipts and Talons attached thereto or surrendered therewith at the time of redemption). All Bonds so cancelled and any Bonds purchased and cancelled pursuant to paragraph (f) above (together with all unmatured Coupons, Receipts and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

(h) Late payment on Zero Coupon Bonds

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

(i) the date on which all amounts due in respect of such Zero Coupon Bond have been paid; and

(ii) five days after the date on which the full amount of the monies payable in respect of such Zero Coupon Bond has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Bondholders in accordance with Condition 17.

(i) U.S. Private Placement Holders

This Condition 9(i) is applicable only in relation to Bonds which are specified as being USPP Bonds in the applicable Final Terms.

(i) *Make-Whole Amount with respect to Non-Swapped Bonds*

The term "**Make-Whole Amount**" means, with respect to any Non-Swapped Bond, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Non-Swapped Bond over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount with respect to any Non-Swapped Bond, the following terms have the following meanings:

"**Applicable Percentage**" means 0.50 per cent. in the case of a computation of the Make-Whole Amount.

"**Called Principal**" means, with respect to any Non-Swapped Bond, the principal of such Non-Swapped Bond that is to be prepaid pursuant to Condition 9(c) (*Redemption for Tax Reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*) or has become or is declared to be immediately due and payable pursuant to Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*), as the context requires.

"**Discounted Value**" means, with respect to the Called Principal of any Non-Swapped Bond that is to be prepaid pursuant to Condition 9(c) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*) or has become or is declared to be immediately due and payable pursuant to Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*), as the context requires, the amount obtained

by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Non-Swapped Bond is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"**Non-Swapped Bond**" means any Bond other than a Swapped Bond. "**Reinvestment Yield**" means:

(a) with respect to the Called Principal of any Non-Swapped Bond (for GBP Bonds linked to UK Treasury securities), the sum of (x) the Applicable Percentage plus (y) the yield to maturity implied by (i) the gross redemption yield as published in the *Financial Times* on the second Business Day preceding the Settlement Date for actively traded UK Treasury securities having a maturity equal to or closest to the Remaining Average Life of such Called Principal (the "**Reference Stock**") as of such Settlement Date, or (ii) if (a) the *Financial Times* is not published on that day, or (b) there is a manifest error in the published figures or (c) the calculation in the *Financial Times* ceases to be in keeping with the Formula for the Calculation of Redemption Yields indicated by the Joint Index and Classification Committee of the Faculty of Actuaries as reported in the Journal of the Institute of Actuaries Volume 105, Part I, 1978, Page 18 (the "**Formula**"), the gross redemption yield calculated on the basis of the arithmetic mean (to three decimal places 0.0005 rounded down) of the mid market price for the Reference Stock on a dealing basis by three authorised leading market makers in the gilt-edged market as at or about 11.00 am on the second Business Day preceding the Settlement Date according to the Formula; or

(b) with respect to the Called Principal of any Non-Swapped Bond (for U.S. $ Bonds linked to U.S. Treasury securities), the sum of (x) the Applicable Percentage plus (y) the yield to maturity implied by the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities ("**Reported**") having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date.

If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the yields Reported for the applicable most recently issued actively traded on-the- run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Non-Swapped Bond.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "**Reinvestment Yield**" means, with respect to the Called Principal of any Non-Swapped Bond, the Applicable Percentage over the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Non-Swapped Bond.

"**Remaining Average Life**" means, with respect to any Called Principal, the number of years obtained by dividing (x) such Called Principal into (y) the sum of the products obtained by multiplying (1) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (2) the number of years, computed on the basis of a 360-day year composed of twelve 30-day months that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"**Remaining Scheduled Payments**" means, with respect to the Called Principal of any Non-Swapped Bond, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of such Non-Swapped Bond, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Condition 9(c) (*Redemption for Tax Reasons*), Condition 9(d) (*Redemption at the option of the Issuer*), Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*).

"**Settlement Date**" means, with respect to the Called Principal of any Non-Swapped Bond, the date on which such Called Principal is to be prepaid pursuant to Condition 9(c) (*Redemption for Tax Reasons*), Condition 9(d) (*Redemption at the option of the Issuer*) or has become or is declared to be immediately due and payable pursuant to Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*), as the context requires.

(ii) *Make-Whole Amount with respect to Swapped Bonds*

The term "**Make-Whole Amount**" means, with respect to any Swapped Bond, an amount equal to the excess, if any, of the Swapped Bond Discounted Value with respect to the Swapped Bond Called Notional Amount related to such Swapped Bond over such

Swapped Bond Called Notional Amount, provided that the Make-Whole Amount may not in any event be less than zero. All payments of Make-Whole Amount in respect of any Swapped Bond shall be made in U.S. Dollars. For the purposes of determining the Make-Whole Amount with respect to any Swapped Bond, the following terms have the following meanings:

"**New Swap Agreement**" means any cross-currency swap agreement pursuant to which the holder of a Swapped Bond is to receive payment in U.S. Dollars and which is entered into in full or partial replacement of an Original Swap Agreement as a result of such Original Swap Agreement having terminated for any reason other than a non-scheduled prepayment or a repayment of such Swapped Bond prior to its scheduled maturity, provided that such cross-currency swap agreement must be in form and substance (including commercial terms) satisfactory to the Issuer. The terms of a New Swap Agreement with respect to any Swapped Bond do not have to be identical to those of the Original Swap Agreement with respect to such Swapped Bond.

"**Original Swap Agreement**" means, with respect to any Swapped Bond, (x) a cross-currency swap agreement and annexes and schedules thereto (an "**Initial Swap Agreement**") that is entered into on an arm's length basis by the original purchaser of such Swapped Bond (or any affiliate thereof) in connection with the issuance of the Swapped Bonds and the purchase of such Swapped Bond and relates to the scheduled payments by the Issuer of interest and principal on such Swapped Bond, under which the holder of such Swapped Bond is to receive payments from the counterparty thereunder in U.S. Dollars and which is more particularly described in the Schedule (*Initial Swap Agreement*) to the IAI Investment Letter entered into by the relevant holder of a Swapped Bond, (y) any Initial Swap Agreement that has been assumed (without any waiver, amendment, deletion or replacement of any material economic term or provision thereof) by a holder of a Swapped Bond in connection with a transfer of such Swapped Bond and (z) any Replacement Swap Agreement; and a "**Replacement Swap Agreement**" means, with respect to any Swapped Bond, a cross-currency swap agreement and annexes and schedules thereto with payment terms and provisions (other than a reduction in notional amount, if applicable) identical to those of the Initial Swap Agreement with respect to such Swapped Bond that is entered into on an arm's length basis by the holder of such Swapped Bond in full or partial replacement (by amendment, modification or otherwise) of such Initial Swap Agreement (or any subsequent Replacement Swap Agreement) in a notional amount not exceeding the outstanding principal amount of such Swapped Bond following a non-scheduled prepayment or a repayment of such Swapped Bond prior to its scheduled maturity. Any holder of a Swapped Bond that enters into, assumes or terminates an Initial Swap Agreement or Replacement Swap Agreement shall within a reasonable period of time thereafter deliver to the Issuer a description of such Initial Swap Agreement or Replacement Swap Agreement, assumption or termination related thereto.

"**Swap Agreement**" means, with respect to any Swapped Bond, an Original Swap Agreement or a New Swap Agreement, as the case may be.

"**Swapped Bond**" means any Bond that as of the Funding Date is subject to a Swap Agreement. A "Swapped Bond" shall no longer be deemed a "Swapped Bond" at such

time as the related Swap Agreement ceases to be in force in respect thereof and, in the case of an Original Swap Agreement which has terminated, a New Swap Agreement is not entered into in replacement thereof.

"**Swapped Bond Applicable Percentage**" means 0.50 per cent. in the case of a computation of the Make-Whole Amount.

"**Swapped Bond Called Notional Amount**" means, with respect to any Swapped Bond Called Principal of any Swapped Bond, the payment in U.S. Dollars due to the holder of such Swapped Bond under the terms of the Swap Agreement to which such holder is a party, attributable to and in exchange for such Swapped Bond Called Principal and assuming that such Swapped Bond Called Principal is paid on its scheduled maturity date, provided that if such Swap Agreement is not an Initial Swap Agreement, then the "Swapped Bond Called Notional Amount" in respect of such Swapped Bond shall not exceed the amount in U.S. Dollars which would have been due to the holder of such Swapped Bond under the terms of the Initial Swap Agreement to which such holder was a party (or if such holder was never party to an Initial Swap Agreement, then the last Initial Swap Agreement to which the most recent predecessor in interest to such holder as a holder of such Swapped Bond was a party), attributable to and in exchange for such Swapped Bond Called Principal and assuming that such Swapped Bond Called Principal is paid on its scheduled maturity date.

"**Swapped Bond Called Principal**" means, with respect to any Swapped Bond, the principal of such Swapped Bond that is to be prepaid pursuant to Condition 9(c) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*) or has become or is declared to be immediately due and payable pursuant to Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*), as the context requires.

"**Swapped Bond Discounted Value**" means, with respect to the Swapped Bond Called Notional Amount of any Swapped Bond that is to be prepaid pursuant to Condition 9(c) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*) or has become or is declared to be immediately due and payable pursuant to Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*), as the context requires, the amount obtained by discounting all Swapped Bond Remaining Scheduled Swap Payments corresponding to the Swapped Bond Called Notional Amount of such Swapped Bond from their respective scheduled due dates to the Swapped Bond Settlement Date with respect to such Swapped Bond Called Notional Amount, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on such Swapped Bond is payable) equal to the Swapped Bond Reinvestment Yield with respect to such Swapped Bond Called Notional Amount.

"**Swapped Bond Reinvestment Yield**" means, with respect to the Swapped Bond Called Notional Amount of any Swapped Bond, the sum of (x) Swapped Bond Applicable Percentage plus (y) the yield to maturity implied by the yields reported, as of 10.00 A.M. (New York City time) on the second Business Day preceding the Swapped Bond Settlement Date with respect to such Swapped Bond Called Notional Amount, on the display designated as "Page PX1" (or such other display as may replace Page PX1) on the Bloomberg Financial Markets for the most recently issued actively

traded on the run U.S. Treasury securities ("**Reported**") having a maturity equal to the Swapped Bond Remaining Average Life of such Swapped Bond Called Notional Amount as of such Swapped Bond Settlement Date.

If there are no such U.S. Treasury securities Reported having a maturity equal to such Swapped Bond Remaining Average Life, then such implied yield to maturity will be determined by (A) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (B) interpolating linearly between the yields Reported for the applicable most recently issued actively traded on the run U.S. Treasury securities with the maturity closest to and greater than the Swapped Bond Remaining Average Life closest to and less than such Swapped Bond Remaining Average Life. The Swapped Bond Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Swapped Bond.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then "**Swapped Bond Reinvestment Yield**" means, with respect to the Swapped Bond Called Notional Amount of such Swapped Bond, the Swapped Bond Applicable Percentage over the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Swapped Bond Called Notional Amount, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Swapped Bond Remaining Average Life of such Swapped Bond Called Notional Amount as of such Swapped Bond Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Swapped Bond Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Swapped Bond Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Swapped Bond Remaining Average Life. The Swapped Bond Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Swapped Bond.

"**Swapped Bond Remaining Average Life**" means, with respect to any Swapped Bond Called Notional Amount, the number of years obtained by dividing (x) such Swapped Bond Called Notional Amount into (y) the sum of the products obtained by multiplying (1) the principal component of each Swapped Bond Remaining Scheduled Swap Payments with respect to such Swapped Bond Called Notional Amount by (2) the number of years computed on the basis of a 360 day year composed of twelve 30-day months that will elapse between the Swapped Bond Settlement Date with respect to such Swapped Bond Called Notional Amount and the scheduled due date of such Swapped Bond Remaining Scheduled Payments.

"**Swapped Bond Remaining Scheduled Swap Payments**" means, with respect to the Swapped Bond Called Notional Amount relating to any Swapped Bond, all payments due to the holder of such Swapped Bond in U.S. Dollars under the terms of the Swap Agreement to which such holder is a party which correspond to all payments of the Swapped Bond Called Principal of such Swapped Bond corresponding to such Swapped Bond Called Notional Amount and interest on such Swapped Bond Called

Principal (other than that portion of the payment due under such Swap Agreement corresponding to the interest accrued on the Swapped Bond Called Principal to the Swapped Bond Settlement Date) that would be due after the Swapped Bond Settlement Date in respect of such Swapped Bond Called Notional Amount if no payment of such Swapped Bond Called Principal were made prior to its originally scheduled payment date, provided that if such Swapped Bond Settlement Date is not a date on which interest payments are due to be made under the terms of such Swapped Bonds, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Swapped Bond Settlement Date and required to be paid on such Swapped Bond Settlement Date pursuant to Condition 9(c) (*Redemption for tax reasons*), Condition 9(d) (*Redemption at the option of the Issuer*), Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*).

"**Swapped Bond Settlement Date**" means, with respect to the Swapped Bond Called Notional Amount of any Swapped Bond Called Principal of any Swapped Bond, the date on which such Swapped Bond Called Principal is to be prepaid pursuant to Condition 9(c) (*Redemption for tax reasons*), Condition 9(d) (*Redemption at the option of the Issuer*) or has become or is declared to be immediately due and payable pursuant to Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*), as the context requires.

(iii) *Swap Breakage*

If any Swapped Bond is (i) not funded on the Interest Commencement Date (other than due to a holder being unable or unwilling to fund on such date when all conditions precedent to such holder's funding obligations having been satisfied) or (ii) prepaid pursuant to Condition 9(c) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*) or has become or is declared to be immediately due and payable pursuant to Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*), then (a) any resulting Net Loss in connection therewith shall be reimbursed to the holder of such Swapped Bond by the Issuer in U.S. Dollars upon any such prepayment or repayment of such Swapped Bond and (b) any resulting Net Gain in connection therewith shall be deducted (i) from the Make-Whole Amount, if any, or any principal or interest to be paid to the holder of such Swapped Bond by the Issuer upon any such prepayment of such Swapped Bond pursuant to Condition 9(c) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*) or (ii) from the Make-Whole Amount, if any, to be paid to the holder of such Swapped Bond by the Issuer upon any such repayment of such Swapped Bond pursuant to Condition 12(a) (*Events of Default*) or Condition 12(d) (*Automatic Acceleration*), provided that, in either case, the Make-Whole Amount in respect of such Swapped Bond may not in any event be less than zero. Each holder of a Swapped Bond shall calculate reasonably and in good faith its own Net Loss or Net Gain, as the case may be, and Swap Breakage Amount in U.S. Dollars upon the prepayment or repayment of all or any portion of such Swapped Bond, and such calculations as reported to the Issuer in reasonable detail shall be binding on the Issuer absent demonstrable error.

As used in this Condition 9(i) with respect to any Swapped Bond that is prepaid or accelerated: "**Net Loss**" means the amount, if any, by which the Swapped Bond Called Notional Amount exceeds the sum of (x) the Swapped Bond Called Principal plus (or

minus in the case of an amount paid) (y) the Swap Breakage Amount received (or paid) by the holder of such Swapped Bond; and "**Net Gain**" means the amount, if any, by which the Swapped Bond Called Notional Amount is exceeded by the sum of (x) the Swapped Bond Called Principal plus (or minus in the case of an amount paid) (y) the Swap Breakage Amount received (or paid) by such holder. For purposes of any determination of any "Net Loss" or "Net Gain," the Swapped Bond Called Principal shall be determined by the holder of the affected Swapped Bond reasonably and in good faith by converting Sterling into U.S. dollars at the current Sterling/U.S. dollar exchange rate, as determined as of 10:00 A.M. (New York City time) on the day such Swapped Bond is prepaid or accelerated as indicated on the applicable screen of Bloomberg Financial Markets and any such calculation shall be reported to the Issuer in reasonable detail and shall be binding in on the Issuer absent demonstrable error.

As used in this Condition 9(i), "**Swap Breakage Amount**" means, with respect to the Swap Agreement associated with any Swapped Bond, in determining the Net Loss or Net Gain, the amount that would be received (in which case the Swap Breakage Amount shall be positive) or paid (in which case the Swap Breakage Amount shall be negative) by the holder of such Swapped Bond as if such Swap Agreement had terminated due to the occurrence of an event of default or an early termination under the ISDA 1992 Multi-Currency Cross Border Master Agreement or ISDA 2002 Master Agreement, as applicable (the "**ISDA Master Agreement**"); provided, however, that if such holder (or its predecessor in interest with respect to such Swapped Bond) was, but is not at the time, a party to an Original Swap Agreement but is a party to a New Swap Agreement, then the Swap Breakage Amount shall mean the lesser of (x) the gain or loss (if any) which would have been received or incurred (by payment, through off-set or netting or otherwise) by the holder of such Swapped Bond under the terms of the Original Swap Agreement (if any) in respect of such Swapped Bond to which such holder (or any affiliate thereof) was a party (or if such holder was never a party to an Original Swap Agreement, then the last Original Swap Agreement to which the most recent predecessor in interest to such holder as a holder of a Swapped Bond was a party) and which would have arisen as a result of the payment of the Swapped Bond Called Principal on the Swapped Bond Settlement Date and (y) the gain or loss (if any) actually received or incurred by the holder of such Swapped Bond, in connection with the payment of such Swapped Bond Called Principal on the Swapped Bond Settlement Date, under the terms of the New Swap Agreement to which such holder (or any affiliate thereof) is a party. The holder of such Swapped Bond will make all calculations related to the Swap Breakage Amount reasonably and in good faith and in accordance with its customary practices for calculating such amounts under the ISDA Master Agreement pursuant to which such Swap Agreement shall have been entered into and assuming for the purpose of such calculation that there are no other transactions entered into pursuant to such ISDA Master Agreement (other than such Swap Agreement).

The Swap Breakage Amount shall be payable in U.S. Dollars.

(iv) *Deferred Funding Date*

(a) *On the Documentation Closing Date*

The Definitive IAI Registered Bonds in respect of the Bonds (the "**Relevant Definitive IAI Registered Bonds**") shall be delivered by, or on behalf of, the

Issuer to a professional legal firm or to a Relevant Dealer (the "**Escrow Agent**") to be held in escrow for the holders of the Bonds until the Funding Date, provided that:

(i) no holder of the Bonds or the Issuer shall have any entitlement to receive any Relevant Definitive IAI Registered Bond except in accordance with this Condition 9(i) (iv); and

(ii) the Escrow Agent delivers to the Issuer, promptly upon receipt of such Relevant Definitive IAI Registered Bonds and in any event, no later than 4.00 p.m. (London time) a letter substantially in the form agreed between the Escrow Agent and the Issuer, confirming, among other things, receipt by the Escrow Agent of such Relevant Definitive IAI Registered Bonds.

(b) *On the Funding Date*

Each holder of the Relevant Definitive IAI Registered Bond shall, on or prior to the Funding Date, credit to the account of the Relevant Dealer (as notified by the Relevant Dealer to each such holder prior to the Funding Date) payment in respect of the Bonds.

The Relevant Dealer shall by no later than 10.00 a.m. (London time), or any later time that has been agreed in writing by the parties (the "**Funding Deadline**"), on the Funding Date, credit to the account of the Issuer (as notified by the Issuer to the Relevant Dealer prior to the Documentation Closing Date) in the Specified Currency and in immediately available cleared funds an amount equal to the Aggregate Nominal Amount of the Bonds as specified in the applicable Final Terms.

Promptly following receipt of the Aggregate Nominal Amount of the Bonds, the Issuer shall deliver a letter to the Escrow Agent:

(i) confirming receipt of such amount; and

(ii) giving instructions to the Escrow Agent to release the Relevant Definitive IAI Registered Bonds to the respective holders of the Bonds.

(c) *Return of Relevant Definitive IAI Registered Bonds*

If the Issuer has not received the Aggregate Nominal Amount of the Bonds by 8.00 p.m. (London time), or any later time that has been agreed in writing by the parties, on the Funding Date:

The Escrow Agent shall:

(i) promptly deliver each Relevant Definitive IAI Registered Bond in respect of the Bonds to the Issuer; and

(ii) promptly notify (a) the Issuer, (b) the Registrar, (c) the Bond Trustee and the Security Trustee that each Relevant Definitive IAI Registered Bond has so been returned, and

the Issuer shall procure that the Registrar, following receipt of the notification to it by the Escrow Agent in Condition 9(i)(iv)(c)(ii) above, cancel each Relevant Definitive IAI Registered Bond and update the Register accordingly.

(d) *No obligation to release and deliver the Relevant Definitive IAI Registered Bonds by the Escrow Agent*

In no circumstance will the Escrow Agent be obliged to release and deliver the Relevant Definitive IAI Registered Bonds to any holder of the Bonds unless each of the following conditions are met and are continuing:

(i) the Relevant Dealer has received payment in respect of the Aggregate Nominal Amount of the Bonds from all the relevant holders of the Bonds on or before the Funding Deadline; and

(ii) the Issuer has received an amount equal to the Aggregate Nominal Amount of the Bonds in an account in its name.

(e) *No Liability*

No Liability and no Secured Liability shall arise on the part of the Issuer or any other Obligor or shall be owed by the Issuer or any Obligor to the holder of a Relevant Definitive IAI Registered Bond (including, without limitation, under Final Terms or any Finance Document to which a holder of the Relevant Definitive IAI Registered Bond is a party) until the Funding Date, provided that the steps set out in Condition 9(i)(iv)(b) are satisfied.

(f) *Definitions*

For the purposes of this paragraph (iv):

"**Aggregate Nominal Amount**" has the meaning given to it in applicable Final Terms;

"**Documentation Closing Date**" means the day prior to the Issue Date; "**Funding Date**" means the Interest Commencement Date;

"**Liability**" has the meaning given to it in the Master Definitions Agreement; "**Obligor**" has the meaning given to it in the Master Definitions Agreement;

"**Relevant Dealer**" means in the case of an issue of Bonds, a Dealer agreeing to act as an escrow agent for the Bonds;

"**Register**" has the meaning given to it in the Master Definitions Agreement; and

"**Secured Liability**" has the meaning given to it in the Master Definitions Agreement; and

"**Specified Currency**" means the currency specified in the applicable Final Terms.

(j) Redemption by Instalments

Unless previously redeemed or purchased and cancelled as provided in this Condition 9 (*Redemption and Purchase*), each Bond which provides for Instalment Dates (as specified in the applicable Final Terms) and Instalment Amounts (as specified in the applicable Final Terms) will be partially redeemed on each Instalment Date at the applicable Instalment Amount (subject, in the case of Index Linked Redemption Bonds, to adjustments for indexation in accordance with Condition 8) specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency. In the case of any early

redemption in part in accordance with Condition 9(d) (*Redemption at the option of the Issuer*), the principal amount redeemed (prior to any adjustments for indexation, if applicable) shall reduce *pro rata* the principal amount of each Instalment Amount (prior to any adjustments for indexation, if applicable) falling due after the relevant redemption date.

10 Taxation

(a) Bonds (other than USPP Bonds)

This Condition 10(a) shall apply in relation to Bonds which are not specified as being USPP Bonds in the applicable Final Terms.

All payments of principal and interest in respect of the Bonds, Receipts and Coupons by the Issuer and the other Obligors or by any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or any Financial Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the other Obligors, or else any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or the Financial Guarantor 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 or the other Obligors, any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or the relevant Financial Guarantor will be obliged to make any additional payments to the Bondholders, the Receiptholders or the Couponholders in respect of such withholding or deduction. Except as otherwise provided in the applicable Final Terms, the Issuer or the other Obligors, any Paying Agent, the Registrar, the Bond Trustee, the Security Trustee or the relevant 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.

Notwithstanding any other provisions of the Terms and Conditions of the Bonds, any amounts to be paid on the Bonds by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA withholding.

(b) USPP Bonds

This Condition 10(b) shall apply in relation to Bonds which are specified as being USPP Bonds in the applicable Final Terms.

All payments of principal and interest in respect of the Bonds by the Issuer and the other Obligors or by any Paying Agent, the Registrar, the Bond Trustee or the Security Trustee will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In that event, and subject to the holder meeting any such conditions as may be specified in the applicable Final Terms (including (but

not limited to) the requirement to provide any certificates and/or other documents as specified in such Final Terms), the Issuer or, as the case may be, any other Obligor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

(i) **Other connection**

held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the United Kingdom, other than the mere holding of the Bond; or

(ii) **Surrender more than 30 days after the Relevant Date**

presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Definitive IAI Registered Bond representing such Bond for payment on the last day of such period of 30 days.

As used herein:

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Definitive IAI Registered Bond representing such Bond being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

"**Tax Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax.

Any reference in the Conditions to principal, premium and/or interest shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking which may be given in addition to or substitution for it under the Bond Trust Deed.

Notwithstanding any other provisions of the Terms and Conditions of the Bonds, any amounts to be paid on the Bonds by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

11 Prescription

The Bonds (whether in bearer or registered form), Coupons and Receipts will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined below) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 7(b) or any Talon which would be void pursuant to Condition 7(b).

As used herein, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Bond Trustee or the Principal Paying Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Bondholders in accordance with Condition 17.

12 Events of Default

The Events of Default relating to the Bonds are set out in Schedule 7 of the Common Terms Agreement.

Following the notification of an Event of Default, the STID provides for a Standstill Period to commence and for restrictions to apply to all Secured Creditors. (See Chapter 6.3, "*Financing Structure — Security Trust and Intercreditor Deed*" for details of the extension and termination of the Standstill and for details of the relevant Instructing Groups permitted to instruct the Security Trustee during a Standstill). The Common Terms Agreement also contains various Trigger Events that will, if they occur, (amongst other things) permit the Majority Creditors to commission an Independent Review, require Anglian Water Services to discuss its plans for appropriate remedial action and prevent the AWS Services Financing Group from making further Restricted Payments.

(a) Events of Default

If any Event of Default (as defined in the Master Definitions Agreement) 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 happening of such event is materially prejudicial to the interests of the Bondholders and shall upon the Bond Trustee being so directed or requested, (i) by an Extraordinary Resolution (as defined in the Bond Trust Deed) of holders of the relevant Series of Class A Bonds or (ii) in writing by holders of at least one quarter in outstanding nominal amount of the relevant Series of Class A Bonds and subject, in each case, to being indemnified and/or secured to its satisfaction, give notice to the Issuer and the Security Trustee that the Bonds of the relevant Series are, and they shall immediately become, due and repayable, at their respective Early Redemption Amounts plus accrued and unpaid interest thereon.

(b) Confirmation of no Event of Default

The Issuer shall provide written confirmation to the Bond Trustee, on an annual basis, that no Event of Default or other matter which is required to be brought to the Bond Trustee's attention pursuant to the terms of the Finance Documents 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 Series, a Standstill Period shall commence. The Security Trustee may only enforce the Security acting on the instructions of the Majority Creditors.

(d) Automatic Acceleration

In the event of the acceleration of the Secured Liabilities (other than a Permitted Acceleration as set out in the STID), the Bonds of each Series shall automatically become due and repayable at their respective Early Redemption Amounts plus accrued and unpaid interest thereon or as specified in the applicable Final Terms.

13 Recourse Against Issuer

No Bondholder, Receiptholder or Couponholder is entitled to take any action against the Issuer or against any assets of the Issuer to enforce its rights in respect of the Bonds or to enforce any of the Security unless the Bond Trustee or the Security Trustee (as applicable), having become bound so to proceed, fails, is unable or neglects to do so within 60 days and such failure, neglect or inability is continuing.

14 Replacement of Bonds, Coupons, Receipts and Talons

Should any Bond, Coupon, Receipt or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable terms and stock exchange requirements at the specified office of the Principal Paying Agent (in the case of Bearer Bonds or Coupons) or the Registrar (in the case of Registered Bonds) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may require. Mutilated or defaced Bonds, Coupons or Talons must be surrendered before replacements will be issued.

15 Agents

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in the applicable Final Terms.

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

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Bonds) and a Transfer Agent (in the case of Registered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or, as the case may be, other relevant authority; and

(c) so long as any of the Registered Global Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7(e). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Bondholders in accordance with Condition 17.

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

16 Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bond to which it appertains) a further Talon, subject to the provisions of Condition 11.

17 Notices

All notices regarding the Bearer Bonds will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Bearer Bonds are for the time being listed or by which they have been admitted to listing. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Bond Trustee shall approve.

All notices regarding the Registered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fifth day after mailing (or as specified in the applicable Final Terms) and, in addition, for so long as any Registered Bonds are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Bonds are issued, there may, so long as any Global Bonds representing the Bonds are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC and/or CDS, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or CDS for communication by them to the holders of the Bonds and, in addition, for so long as any Bonds are listed on a stock exchange or are admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Bonds on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or CDS.

Notices to be given by any Bondholder shall be in writing and given by lodging the same, together (in the case of any Bond in definitive form) with the relative Bond or Bonds, with the Principal Paying Agent (in the case of Bearer Bonds) or the Registrar (in the case of Registered Bonds). Whilst any of the Bonds are represented by a Global Bond, such notice may be given by any holder of a Bond to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC and/or CDS, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC and/or CDS, as the case may be, may approve for this purpose.

18 Meetings of Bondholders, Modification, Waiver and Substitution

(a) Decisions of Majority Creditors

The STID contains provisions dealing with the manner in which matters affecting the interests of the Secured Creditors (including the Bond Trustee and the Bondholders) will be dealt with. Bondholders will (subject to various Reserved Matters and Entrenched Rights) be bound by the decisions of the Majority Creditors (and additionally in a Default Situation decisions made pursuant to the Emergency Instructions Procedures). (For details see Chapter 6.3, "*Financing Structure*" – "*Security Trust and Intercreditor Deed*", under 6.3.6, "*Class A Debt Instructing Group*", 6.3.19, "*Entrenched Rights*", 6.3.20, "*Reserved Matters*" and 6.3.9, "*Emergency Instruction Procedure*" of Chapter 6 "*Financing Structure*".)

In the circumstances which do not relate to Entrenched Rights or Reserved Matters of the Bondholders (as set out in the STID), prior to a Default Situation, the Bond Trustee shall be entitled to vote as the DIG Representative of holders of Bonds (other than the USPP Bonds) on intercreditor issues ("**Intercreditor Issues**") but shall not be entitled to convene a meeting of any one or more Series of Bondholders to consider the relevant matter. To the extent that a Default Situation has occurred and is subsisting, the Bond Trustee may vote on Intercreditor Issues in its absolute discretion or shall vote in accordance with a direction by those holders of such outstanding Class A Bonds (other than USPP Bonds) (i) by means of an Extraordinary Resolution of the relevant Series of Bonds or (ii) (in respect of a DIG Proposal to terminate Standstill) as requested in writing by the holders of at least one quarter of the Outstanding Principal Amount of the relevant Series of Class A Bonds. In any case, the Bond Trustee shall not be obliged to vote unless it has been indemnified and/or secured to its satisfaction.

Whilst a Default Situation is subsisting, certain decisions and instructions may be required in a timeframe which does not allow the Bond Trustee to convene Bondholder meetings. To cater for such circumstances, the Intercreditor Arrangements provide for an emergency instruction procedure. The Security Trustee will be required to act upon instructions contained in an emergency notice (an "**Emergency Instruction Notice**"). An Emergency Instruction Notice must be signed by DIG Representatives (the "**EIN Signatories**") representing 66⅔ per cent. or more of the aggregate Outstanding Principal Amount of the Qualifying Class A Debt after, inter alia, excluding the proportion of Qualifying Debt in respect of which the Bond Trustee is the DIG Representative and in respect of which the Bond Trustee has not voted. The Emergency Instruction Notice must specify the emergency action which the Security Trustee is being instructed to take and must certify that, unless such action is taken within the time frame specified in the Emergency Instruction Notice, the interests of the EIN Signatories will be materially prejudiced.

(b) Meetings of Bondholders, Modification and Waiver

The Bond Trust Deed contains provisions for convening meetings of the Bondholders (including by means of audio or video conference call) to consider any matter affecting their interests, including the modification of the Bonds, the Coupons, the Receipts or any of the provisions of the Bond Trust Deed and any other Finance Document to which the Bond Trustee is a party (subject to the terms of the STID). Any modification may (except in relation to any Entrenched Right or Reserved Matter of the Bond Trustee (as set out in the STID), subject to the terms of the STID and subject to the provisions concerning ratification and/or meetings of particular combinations of Series of Bonds as set out in Condition 19(b) 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 Third Schedule to the Bond Trust Deed (the "**Basic Terms Modifications**") in respect of the holders of any particular Series of Bonds may be sanctioned only by an Extraordinary Resolution passed at a meeting of Bondholders of the relevant Series 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.

For the avoidance of doubt, the requirements set out in this Condition 18 do not apply to amendments to the Conditions and/or the Bond Trust Deed that are made pursuant to Condition 6(b)(iii)(D).

(c) Modification, consent and waiver

As more fully set out in the Bond Trust Deed (and subject to the conditions and qualifications therein), the Bond Trustee may, without the consent of the Bondholders of any Series, concur with the Issuer or any other relevant parties in making (i) any modification of these Conditions, the Bond Trust Deed, or any Finance Document which is of a formal, minor or technical nature or is made to correct a manifest error and (ii) (except as mentioned in the Bond Trust Deed and subject to the terms of the STID) any other modification and granting any consent under or waiver or authorisation of any breach or proposed breach of these Conditions, the Bond Trust Deed, or any such Finance Document or other document which is, in the opinion of the Bond Trustee, not materially prejudicial to the interests of the Bondholders of that Series. In addition, the Bond Trustee shall be obliged to concur with the Issuer to effect any Benchmark Amendments in the circumstances and as otherwise set out in Condition 6(b)(iii)(D) without the consent or approval of the Bondholders. Any such modification, consent, waiver or authorisation shall be binding on the Bondholders of that Series, and the holders of all relevant Coupons and, if the Bond Trustee so requires, notice thereof shall be given by the Issuer to the Bondholders of that Series 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 Class A Wrapped Bonds continuing to carry the unconditional guarantee of the relevant Financial Guarantor.

19 Bond Trustee Protections

(a) Trustee considerations

Subject to the terms of the STID and Condition 19(b), in connection with the exercise, under these Conditions, the Bond Trust Deed or any Finance Document, of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Bond Trustee shall have regard to the interests of the holders of the relevant Series of Class A Bonds that, if the Bond Trustee considers, in its sole opinion, that there is a conflict of interest between the holders of one or more Series of Bonds, it shall consider the interests of the holders of the Class A Bonds with the shortest dated maturity and will not have regard to the consequences of such exercise for the holders of other Series 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 Bondholder be entitled to claim from the Issuer, any Financial Guarantor or the Bond Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Bondholders of any such exercise.

(b) Exercise of rights by Bond Trustee

Except as otherwise provided in these Conditions and/or 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), the Bond Trustee shall act only 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. The Bond Trustee may not, notwithstanding the provisions of these Conditions, be entitled to act on behalf of the holders of any Series of Bonds. Subject as provided in these Conditions and the Bond Trust Deed, the Bond Trustee will exercise its rights under, or in relation to, the Bond Trust Deed and the Conditions in accordance with the directions of the relevant Series of 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 12 and Condition 18(a) only) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the relevant Series of Bonds outstanding or (b) been so directed by an Extraordinary Resolution of the relevant Series of Bondholders and (ii) been indemnified and/or furnished with security to its satisfaction.

(c) Decisions under STID binding on all Bondholders

Subject to the provisions of the STID and the Entrenched Rights and Reserved Matters of the Bond Trustee and the Bondholders, decisions of the Majority Creditors and (in a Default Situation) decisions made pursuant to the Emergency Instructions Procedures will bind the Bond Trustee and the Bondholders in all circumstances.

20 Indemnification and Exoneration 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 or any other action or steps against the Issuer, any Financial Guarantor and/or any other person unless indemnified and/or secured to its satisfaction. The Bond Trustee or any of its affiliates is 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 so instructed in writing to act by the Majority Creditors or the Secured Creditors (or their representatives) (as appropriate) and if indemnified and/or furnished with security 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 the Secured Creditors (or their representatives) (as appropriate), shall in any way be responsible for any loss, costs, damages or expenses or other liability, which may result from the exercise or non-exercise of any consent, waiver, power, trust, authority or discretion vested in the Security Trustee or the Bond Trustee pursuant to the STID, any Finance Document or any ancillary document.

(d) Reliance and Exoneration

The Bond Trust Deed and the STID contain various protective provisions which exclude or limit the liability of the Bond Trustee and the Security Trustee, including, without limitation, provisions which allow the Bond Trustee and the Security Trustee to obtain and rely and act on advice from legal or other expert advisors and to rely and act on certificates provided by directors (and where applicable, Authorised Signatories) of the Issuer and/or the Obligors.

21 Further Issues

The Issuer shall be at liberty from time to time without the consent of the Bondholders, the Receiptholders or the Couponholders to create and issue further bonds having terms and conditions the same as the Bonds or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Bonds.

22 Contracts (Rights of Third Parties) Act 1999

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

23 Governing Law

The Bond Trust Deed, the Security Agreement, the Common Terms Agreement, the STID, the Agency Agreement, the Bonds, the Receipts and the Coupons and any other Finance Documents and any non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Agency Agreement, the Bonds, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

24 Submission to jurisdiction

(a) Subject to Condition 24(b) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Bond Trust Deed, the Security Agreement, the Common Terms Agreement, the STID, the Agency Agreement, the Bonds, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Bond Trust Deed, the Security Agreement, the Common Terms Agreement, the STID, the Agency Agreement, the Bonds, the Receipts and/or the Coupons (a "**Dispute**") and accordingly each of the Issuer, the Bond Trustee, the Security Trustee and any Bondholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.

(b) To the extent allowed by law, the Bondholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

(c) The registered office of AWS is Lancaster House, Lancaster Way, Ermine Business Park, Huntingdon, Cambridgeshire, PE26 6XU.

CHAPTER 9
USE OF PROCEEDS

The net proceeds from each issue of Bonds (including, for the avoidance of doubt, any Step Up Bonds) will be on-lent to Anglian Water under the terms of the Issuer/Anglian Water Loan Agreement as part of the Intercompany Loan Arrangements to be applied by Anglian Water for its general corporate purposes. See Chapter 6.1, "*Financing Structure – The Anglian Water Services Financing Group*".

If, in respect of an issue of Bonds, there is a particular use of proceeds, this will be stated in the applicable Final Terms.

Green Bonds:

Where the applicable Final Terms denote a Series of Bonds as "Green Bonds" ("**Green Bonds**"), the allocation of net proceeds from such issue of Bonds will be to 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 avoidance of doubt, such Green Bonds are not issued as European Green Bonds in accordance with Regulation 2023/2631(the "**EuGB Regulation**").

For the purposes of this Chapter:

"**Eligible Green Portfolio**" means a portfolio of one or more Eligible Green Projects.

"**Eligible Green Projects**" means investments which fall within the Green Eligible Categories.

"**Green Eligible Categories**" means the categories prepared by the Issuer and/or AWS as set out in the Anglian Water Services Limited/Anglian Water Services Financing Plc Sustainable Finance Framework (which shall be made available at https://www.anglianwatergroup.co.uk/sustainability).

A third party consultant will review the Green Eligible Categories published as at the date of this Prospectus, and in respect of the Green Bonds issued, such third party consultant will review the Eligible Green Portfolio and issue a report and/or opinion based on the Green Eligible Categories (a "**Green External Review**"). The Green External Review will be made available at https://www.anglianwatergroup.co.uk/sustainability

Social Bonds:

Where the applicable Final Terms denote a Series of Bonds as "Social Bonds" ("**Social Bonds**"), the allocation of net proceeds from such issue of Bonds will be to 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:

"**Eligible Social Portfolio**" means a portfolio of one or more Eligible Social Projects.

"**Eligible Social Projects**" means investments which fall within the Social Eligible Categories.

"**Social Eligible Categories**" means the categories prepared by the Issuer and/or AWS as set out in the Anglian Water Services Limited/Anglian Water Services Financing Plc Sustainable Finance Framework (which shall be made available at https://www.anglianwatergroup.co.uk/sustainabilityhttp://www.awg.com/).

A third party consultant will review the Social Eligible Categories published as at the date of this Prospectus, and in respect of the Social Bonds issued, such third party consultant will review the

Eligible Social Portfolio and issue a report and/or opinion based on the Social Eligible Categories (a "**Social External Review**"). The Social External Review will be made available at https://www.anglianwatergroup.co.uk/sustainabilityhttp://www.anglianwater.co.uk/.

Sustainability Bonds:

Where the applicable Final Terms denote a Series of Bonds as "Sustainability Bonds" ("**Sustainability Bonds**"), the allocation of net proceeds from such issue of Bonds will be to 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:

"**Eligible Sustainability Portfolio**" means a portfolio of one or more Eligible Sustainability Projects.

"**Eligible Sustainability Projects**" means investments which fall within the Sustainability Eligible Categories.

"**Sustainability Eligible Categories**" means the categories prepared by the Issuer and/or AWS as set out in the Anglian Water Services Limited/Anglian Water Services Financing Plc Sustainable Finance Framework (which shall be made available at https://www.anglianwatergroup.co.uk/sustainabilityhttp://www.awg.com/).

A third party consultant will review the Sustainability Eligible Categories published as at the date of this Prospectus, and in respect of the Sustainability Bonds issued, such third party consultant will review the Eligible Sustainability Portfolio and issue a report and/or opinion based on the Sustainability Eligible Categories (a "Sustainable External Review" and, together with a Green External Review and a Social External Review each an **External Review**). The Sustainable External Review will be made available at https://www.anglianwatergroup.co.uk/sustainabilityhttp://www.awg.com/.

Reporting in relation to Green Bonds, Social Bonds and Sustainability Bonds

The Issuer is expected to 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; (vii) the size of the identified Eligible Sustainability Portfolio, per eligible category, (viii) the balance of unallocated cash and/or cash equivalent investments; (ix) the number of Eligible Sustainability Projects; and (x) the amount or the percentage of new financing and refinancing. Such report will be issued within one year from the date of an issuance of Sustainable Bonds under the Programme, and annually thereafter, until the net proceeds of such issuance of Sustainable Bonds have been allocated in full, and as necessary thereafter in the event of material developments. In addition, the Issuer is expected to provide regular information through its website https://www.anglianwatergroup.co.uk/sustainability on the environmental and/or social outcomes of the Eligible Green Portfolio, the Eligible Social Portfolio and the Eligible Sustainability Portfolio.

Net proceeds

Pending allocation of the net proceeds of: (i) an issue of Green Bonds for investment in the Green Eligible Categories, (ii) an issue of Social Bonds for investment in the Social Eligible Categories,

and/or (iii) an issue of Sustainability Bonds for investment in the Sustainability Eligible Categories, AWS will hold such net proceeds in the Capex Reserve Account, at its discretion, in the form of cash or cash equivalent investments (as permitted under the Common Terms Agreement) pending any transfer to the Payment Account in accordance with the terms of the Common Terms Agreement.

The Issuer and/or AWS will use commercially reasonable efforts to achieve a level of allocation for the Eligible Sustainability Portfolio that matches or exceeds the balance of net proceeds from its outstanding Sustainability Bonds within 24 months from the time of issuance of each tranche of Sustainability Bonds. Eligible Sustainability Projects will be added to or removed from the Issuer's Eligible Sustainability Portfolio to the extent required. Unallocated net proceeds from Sustainable Finance Instruments will be held in Anglian Water's liquidity portfolio, in cash or other short term liquid instruments, at its own discretion.

The Issuer and/or AWS will establish systems to monitor and account for the net proceeds for: (a) investment in the Eligible Green Portfolio meeting the Green Eligibility Categories, (b) investment in the Eligible Social Portfolio meeting the Social Eligibility Categories, and (c) investment in the Eligible Sustainability Portfolio meeting the Sustainability Eligibility Categories.

For the purposes of re-financing AWS has determined a maximum look-back period of 36 months prior to the issuance of any financial instrument under the Sustainable Finance Framework.

For the avoidance of doubt any External Review and the Anglian Water Services Limited/Anglian Water Services Financing Plc Sustainable Finance Framework referred to above are not incorporated into, and do not form part of, this Prospectus.

CHAPTER 10
DESCRIPTION OF THE RELEVANT SUSTAINABILITY TARGETS

The following is a summary of the Anglian Water Group Sustainable Finance Framework published on 14 February 2024.

Rationale for Issuing Sustainability-Linked Guaranteed Bonds

The issue of Sustainability-Linked Guaranteed Bonds links Anglian Water's funding with its sustainability objectives, leveraging ambitious targets that are relevant, core and material to its business.

Key Performance Indicators

The Anglian Water Group has selected four key performance indicators (the "**KPIs**" or "**Key Performance Indicators**"), which are core, relevant and material to the business. These KPIs will be measured against specific sustainability performance targets, namely the SPTs (as defined below).

KPI 1: **Net Operational Carbon Emissions** – means all operational GHG emissions (being all Scope 1 emissions, Scope 2 emissions and some Scope 3 emissions relevant to Anglian Water's core outsourced activities, within the regulated activity of Anglian Water Services Limited (the "**Perimeter**"), over which Anglian Water has operational control, net of surplus renewable generation exported and purchase of Renewable Energy Guarantees of Origin ("**REGO**") backed green tariff electricity, measured by carbon dioxide equivalent "$_tCO_{2e}$".

KPI 2: **Capital Carbon Emissions –** means GHG emissions associated with the construction, operation and maintenance of infrastructure assets, including (without limitation) GHG emissions associated with the carbon footprint of the Anglian Water Group as a result of the construction projects undertaken by it within the Perimeter, covering the extraction, transportation and processing of raw materials and from site construction activities required to create or maintain a built asset, or part thereof, measured by $_tCO2_e$, which for the avoidance of doubt does not include any GHG emissions which form part of the Net Operational Carbon Emissions.

KPI 3: Natural Household Water Abstraction – means water extracted for household use as a result of, within the Perimeter, the process of extracting water from natural sources, measured by the average daily amount of water (in litres) abstracted directly from rivers, reservoirs and groundwater, for household use, per capita in a year.

KPI 4: PSR Adoption – means the proportion of households registered with Anglian Water Group's priority service register (the "**PSR**"), measured as a percentage of billed domestic properties, excluding any void properties, supplied with water and/or wastewater services within the Perimeter.

CHAPTER 11
REGULATION OF THE WATER AND WATER RECYCLING INDUSTRY IN ENGLAND AND WALES

11.1 Water and Water Recycling Regulation Generally

11.1.1 Regulatory Framework

As at September 2026, Ofwat recognised twelve regional companies providing water and sewerage services, five regional companies providing water services only (following recent consolidation), eleven local companies providing water or sewerage or both (together the "**Regulated Companies**") as well as 39 water supply and/or sewerage licensees offering regulated retail services to non-household customers (some of which only supply a sole principal) and one infrastructure provider. The activities of Regulated Companies are principally regulated by the provisions (as amended) of the WIA, the Water Resources Act 1991 and regulations made under these Acts and the conditions of their licences (also referred to as 'Instruments of Appointment'). Under the WIA, the Secretary of State has a duty to ensure that at all times there is an appointee for every area of England and Wales. Appointments may be made by the Secretary of State or by Ofwat in accordance with a general authorisation given by the Secretary of State.

Ofwat is the economic regulator for the water and water recycling industry and is responsible for, *inter alia*, setting limits on charges and monitoring and enforcing licence obligations. Regulated Companies are required by their licences to publish an annual return of financial and non-financial information (the 'annual performance report') to enable Ofwat and other stakeholders to assess their activities. The two principal quality regulators are the DWI which is appointed by the Secretary of State for DEFRA and the EA. The DWI's principal task is to ensure that Regulated Companies in England and Wales are fulfilling their statutory requirements under the WIA and the Water Quality Regulations for the supply of wholesome drinking water. The DWI is part of DEFRA and acts as a technical assessor on behalf of the Secretary of State in respect of the quality of drinking water supplies. It carries out technical audits of each water undertaker. This includes an assessment (based on information supplied by the company) of the quality of water in each supply zone, arrangements for sampling and analysis, and progress made on achieving compliance with regulatory and EU requirements. The EA was established under the Environment Act 1995 and is responsible, in England, for the protection and improvement of the environment. Its duties include the management and regulation of water abstractions from, and discharges to, controlled waters. Controlled waters include coastal waters, territorial waters extending three miles from shore, inland freshwaters and groundwater.

In July 2025 the IWC published its report into the regulation of the water industry in England and Wales. One of its recommendations was that the functions of Ofwat and the DWI, as well as those functions of the EA which relate to water, should be transferred to a single new regulator. The government has accepted this recommendation and plans are in development for enacting this change. Ofwat will remain in place during the transition to the new regulator. In January 2026, the UK Government published its water white paper, “A new vision for water”, responding to

the Independent Water Commission's July 2025 report. The proposals for England include replacing Ofwat with a single regulator combining its functions with the water functions of the Environment Agency, Natural England and the Drinking Water Inspectorate, stronger supervision and intervention, and reforms to price controls, governance and financial resilience. A Water Reform Bill is expected during this Parliament. The detailed design, timing and effects of these reforms, and their interaction with subsequent public-control proposals, remain uncertain as at the date of this Prospectus.

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

11.2 Ofwat and the Secretary of State

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

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

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

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

(d) ensure that the activities authorised by the licence of a water supply licensee or sewerage licensee (see Chapter 11.9.2, "*The Water Act 2003*" below) and any statutory functions imposed on it are properly carried out; and

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

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

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

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

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

(d) secure that consumers are protected as respects benefits that could be secured for them by the application in a particular manner of any of the proceeds of any disposal

(whenever made) of Regulated Companies' protected land or of an interest or right in or over any of that land;

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

(f) to contribute to the achievement of sustainable development (together, the "**Secondary Duties**").

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

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

11.3 Licences

11.3.1 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 under the WIA. Each Regulated Company's licence specifies the geographic area served by the company and imposes a number of conditions on the licence holder that relate to limits on charges, information reporting requirements, the provision of information to customers, and other matters. The main provisions of Anglian Water's Licence are typical of those of other licences. In addition to the conditions regulating price controls (see Chapter 11.7, "*Economic Regulation*", below), Anglian Water's Licence imposes prohibitions on undue discrimination and undue preference in charging. Other matters covered by conditions in the Licence include: the provision of care and service to customers; "ring-fencing" of the appointed business from non-regulated companies; restrictions on disposal of land; asset management plans; the provision of information to Ofwat; and payments to customers for supply interruptions because of drought. Ofwat is responsible for monitoring compliance with licence conditions and, where necessary, enforcing compliance through procedures laid down in the WIA (see Chapter 11.4, "*Enforcement Powers*" below).

11.3.2 Termination of a Licence

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

(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;

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

(c) under the provisions of the Special Administration regime, the Special Administrator may transfer the business and licence to a successor (see Chapter 11.5, "*Special Administration Orders*" below); or

(d) by the granting of an NAV Appointment or Variation NAV over part of a Regulated Company's existing appointed area to another Regulated Company (see below).

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

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

The NAV mechanism continues alongside the non-household retail market, but is quite different in its operation. Whereas water supply and sewerage licensees have no threshold requirements to serve customers and operate solely at the non-household retail level, new appointees operate on the same level as undertakers and can therefore serve household customers within their area of appointment but (if not seeking to supply a previously unserved area) must meet the threshold requirement above. The retail regime is described in more detail at Chapter 11.9.3, "*The Water Act 2014*".

11.3.3 Modification of a Licence

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

After this period Ofwat must publish the decision and the modifications, state their effect, state the reason for any differences from the modifications set out under the notice and state how Ofwat has taken into account any representation made. The

proposed modifications will take effect not less than fifty-six days after the publication of Ofwat's decision to modify, unless Ofwat considers it necessary or expedient for the modification to take place earlier. If Ofwat requires the modification to take place before the fifty-six day time period, Ofwat will need to indicate this in their initial notice, state their justification behind this accelerated time period, and state how it will not have a material adverse effect on any Regulated Company.

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

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

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

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

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

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

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

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

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

It is possible for primary legislation to confer on Ofwat the power to modify the 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 the power, among others, 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.

11.3.4 Water Supply

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

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

11.3.5 Water recycling Services

Each Regulated Company that is a water recycling undertaker has a general duty as such to provide, improve, extend and maintain a system of public sewers capable of draining its region effectively, and to make provision for the emptying of sewers and

for dealing effectively with their contents. It also has specific water recycling duties, including a duty to comply with a sewer requisition provided certain conditions are met, a duty to provide sewers otherwise than by requisition, and a duty to permit private drains and sewers to be connected to its public sewers.

Under the Environmental Permitting (England and Wales) Regulations 2016 (as amended) "**EP Regulations 2016**", 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. As regards water recycling, environmental permits are in place in respect of substantially all known discharges by Anglian Water of polluting matter. Anglian Water invests to ensure that its water recycling centres are capable of complying with the conditions of its permits.

11.4 Enforcement Powers

The general duties of Regulated Companies as water or water recycling undertakers are enforceable by the Secretary of State and/or Ofwat. The conditions of the Licence (and other duties) are enforceable by Ofwat alone while other duties, including those relating to water quality, are enforceable by the DWI. Other duties, such as those in respect of water abstractions and discharges, are enforceable by the EA. The UK water and water recycling industry is facing unprecedented levels of scrutiny from a wide range of stakeholders, including governments and regulators, NGOs, local communities, and other stakeholders. There is heightened focus on the environmental performance and compliance status of the industry as a whole, in particular in relation to wastewater discharges. Stakeholder groups are increasingly calling for greater regulatory enforcement action to be taken, and the EA is pursuing more aggressive enforcement action, including by way of increased fines for environmental offences and even prison sentences and disqualification orders for directors of water companies. This is against the backdrop of the previous UK Government's commitment to increase water company inspections carried out by the EA to 4,000 a year by end of March 2025, and to 10,000 by end of April 2026. A DEFRA press release published in May 2025 stated that the EA has launched 81 criminal investigations into water companies since the Labour Government came into office in July 2024, highlighting the record levels of enforcement action in this space.

The WSMA received Royal Assent on 24 February 2025. The WSMA significantly strengthens the power of the water industry regulators. Provisions introduced by the act include the following:

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

(b) require those in senior roles to meet certain fitness and propriety standards;

(c) put in place arrangements to involve consumers in decisions that are likely to have a material impact on consumer matters;

(d) publish information on pollution incidents and emergency overflows;

(e) lower the standard of proof from "beyond reasonable doubt" to "on the balance of probabilities" and enable automatic penalties to be issued by the EA for a defined list

of water-related offences. The list of offences will be set out in forthcoming secondary legislation made by the Secretary of State;

(f) allow the EA to recover costs from water companies for enforcement activities;

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

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

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

Since the WSMA came into force, a number of the rules and rule changes it envisages have also been finalised. In June 2025, Ofwat implemented its Performance-Related Pay ("**PRP**") Prohibition Rule, which requires water companies to prohibit performance-related pay where any of Ofwat's four key standards (relating to environmental performance, consumer matters, financial resilience and criminal liability) are not met. The rule was used with immediate effect on 6 June 2025 against several companies, including Thames Water, Yorkshire Water, Anglian Water, Wessex Water, United Utilities and Southern Water.

On 1 April 2026, Ofwat's final Fitness and Propriety Rule came into force, requiring water and/or sewerage undertakers to ensure that individuals in senior roles meet standards of honesty and integrity, knowledge and experience, and financial soundness. Also on 1 April 2026, Ofwat's Consumer Involvement in decision-making rule came into force for the largest water undertakers, requiring arrangements to be put in place for involving consumers in decisions likely to have a material impact on consumer matters.

On 8 January 2026, the EA published guidance requiring relevant undertakers to publish annual Pollution Incident Reduction Plans ("**PIRPs**") and associated implementation reports, with the first PIRP required before 1 April 2026 and the first implementation report before 1 April 2027 and failure to publish these in accordance with the WSMA is a criminal offence punishable by an unlimited fine.

Further to (f) above, in April 2025, the EA launched a consultation on a proposed cost recovery approach for water company enforcement activities. The consultation proposed a new levy on certain water discharge activities carried out by water companies and was designed to allow the EA to fully recover the costs of its enforcement activities. The proposed levy would be payable on a per permit discharge and volume unit basis. The consultation closed on 26 May 2025, and the EA published the consultation response on 19 August 2025, stating that it will apply a 40% reduction to the total levy charged to water companies for 2025 to 2026, and from 1 April 2026, it will seek to recover its full yearly costs through the proposed levy.

The WSMA may enable an increase in enforcement activity and third-party claims leading to substantial fines and compensation payments as well as requirements to invest in infrastructure and increased operating costs.

Where the Secretary of State (via the DWI) or Ofwat is satisfied that a Regulated Company is contravening, or has contravened and is likely to do so again, or is likely to contravene, a condition of its 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 more appropriate to make a provisional enforcement order, that party may do so. In determining whether a provisional enforcement order should be made, the Secretary of State or Ofwat shall have regard to the extent to which any person is likely to sustain loss or damage as a consequence of such breach before a final enforcement order is made. The Secretary of State or Ofwat will confirm a provisional enforcement order if satisfied that the provision made by the order is needed to ensure compliance with the condition or requirement that is in breach.

There are exemptions from the Secretary of State's and Ofwat's duty to make an enforcement order or to confirm a provisional enforcement order where:

- 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 take all appropriate steps 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 1998.

Undertakings under section 19 of the WIA create obligations that are capable of direct enforcement by the Secretary of State or by Ofwat (with the consent or authorisation of the Secretary of State) under section 18 of the WIA. Accordingly, the main implication of a Regulated Company assuming such an undertaking is that any future breach of the specific commitments contained in the undertaking is enforceable in its own right (without the need for further grounding on general statutory or 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, as amended by the Water Act 2014. In certain circumstances, Ofwat and the Secretary of State have the power to fine such a company up to 10 per cent. (for each respective breach) of its turnover from the preceding 12 months, including if it fails to comply with its licence conditions, standards of performance or other obligations. The penalty must also be reasonable in all the circumstances. A penalty may not be imposed later than five years from the contravention or failure except when a notice under section 22A(4) of the WIA (indicating the amount of the proposed penalty and the circumstances giving rise to a penalty) or under section 203(2) of the WIA (requiring the Regulated Company to provide information in relation to the contravention or failure) is served during that period. Where a final or provisional order has been made in respect of a contravention or failure, a penalty cannot be imposed unless a notice under section 22A(4) is served within 3 months of the final order or confirmation of the provisional order, or within 6 months of the provisional order if it is not confirmed.

Ofwat published its most recent enforcement strategy in April 2025. Ofwat’s strategy sets out three strategic goals: (i) To transform water companies' performance; (ii) To drive water companies to meet long-term challenges through increased collaboration and partnerships; and (iii) For water companies to provide best value and outcomes for customers, communities and the environment, now and in the future. Ofwat’s aims are to secure companies’ compliance with their legal obligations and improve company behaviours such that Ofwat protect the interests of customers and the environment. Where companies are in breach of obligations, Ofwat will step in and hold companies to account through enforcement action. Ofwat expect

the enforcement action to act as an incentive on the company in question to change its behaviour so that it becomes compliant. It should also have a deterrent effect to prevent poor behaviour and non-compliance in the future. In addition, Ofwat expect its enforcement actions to have a deterrent effect across the whole sector, sending a clear signal that a breach of obligations will not be tolerated, and as to the standards Ofwat expect companies to meet.

The new WSMA introduced further obligations for water and sewage companies in relation to sewage discharges and emergency overflows, which will be enforceable upon publication of regulations, as well as provisions on sanctions for impeding investigations, civil penalties and automatic penalties for certain offences.

In October 2025, DEFRA published a consultation on strengthening penalties for water company offences, proposing variable monetary penalties imposed to the civil standard of proof and automatic penalties for certain offences. The consultation closed on 3 December 2025, and on 7 July 2026 DEFRA confirmed it would proceed with the proposals, setting the VMP cap at £500,000 and introducing civil standard fixed monetary penalties which would be applied to specified minor to moderate offences. It also stated that secondary legislation and an updated Environment Agency Enforcement and Sanctions Policy will provide additional detail and clarification in due course. On 10 August 2026, the EA published a consultation on proposed updates to its enforcement and sanctions policy, including a new Annex 5 setting out how it proposes applying civil sanctions under the WSMA (variable monetary penalties to the civil standard of proof, automatic penalties, and discretionary fixed monetary penalties), alongside other proposed changes to its general enforcement principles. The consultation closed on 4 October 2026.

11.5 Special Administration Orders

(a) Circumstances

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

- there has been, or is likely to be, a breach by a Regulated Company of its principal duties to supply water or provide water recycling 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;
- the Regulated Company is, or is likely to be, unable to pay its debts;
- in a case in which the Secretary of State has certified that it would be appropriate, but for section 25 of the WIA, for them to petition for the winding-up of the Regulated Company under section 124 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
- 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 Administration powers and the Transfer Scheme

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

Were a Special Administration Order to be made, it is for the Special Administrator to agree to the terms of the transfer on behalf of the existing Regulated Company, subject to the provisions of the WIA. The transfer scheme may provide for the transfer of the property, rights and liabilities of the existing Regulated Company to the new Regulated Company(ies) and may also provide for the transfer of the existing Regulated Company's 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 or a Shipwreck Clause. To take effect, the transfer scheme must be approved by the Secretary of State or Ofwat. In addition, the Secretary of State and Ofwat may modify a transfer scheme before approving it or at any time afterwards with the consent of the Special Administrator and each new Regulated Company.

The WIA also grants the Secretary of State, with the approval of His Majesty's Treasury, the powers: (i) to make appropriate grants or loans to achieve the purposes of the Special

Administration Order and to indemnify the Special Administrator against losses or damages sustained in connection with the carrying out of his functions; and (ii) to guarantee the payment of principal or interest and the discharge of any other financial obligations in connection with any borrowings of the Regulated Company subject to a Special Administration Order.

The FWM Act (see Chapter 11.9.1 "*Competition in the Water Industry – General"* below) introduced amendments to the special administration regime in the WIA to bring it in line with modern insolvency practice in unregulated industries. The FWM Act also streamlined the procedures for transferring a failing company to new owners. The changes enable the Special Administrator to pursue the goal of rescuing the Regulated Company as a going concern if this is reasonably practicable. Some of these provisions are in force as of 12 January 2024 and 15 March 2024 by virtue of the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 and Flood and Water Management Act 2010 (Commencement No. 11) Order 2024, as further described below (see "*Updates to the Special Administration Regime*").

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

(d) Updates to the Special Administration Regime

On 12 January 2024 the Flood and Water Management Act 2010 (Commencement No. 10) Order 2024 came into force. On 22 January 2024, the Water Industry Act 1991 (Amendment) Order 2024 and Water Industry (Special Administration) Regulations 2024 (together, the "**WISAR Regulations**") were laid before parliament in draft form. The WISAR Regulations 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 FWM Act and the Corporate Insolvency and Governance Act 2020, but which have laid dormant on the statute book until now. Key changes which are in force as of 12 January 2024 include:

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

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

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

The Flood and Water Management Act 2010 (Commencement No. 11) Order 2024 brought into force, as of 15 March 2024, section 34 (special administration) so far as it relates to

paragraph 6 of Schedule 5, and paragraph 6 of Schedule 5 (special administration). The effect of these provisions is to set out that Schedule B1 to the Insolvency Act 1986 (administration) applies to special administration, subject to regulations that may be issued by the Secretary of State applying, disapplying, or modifying insolvency provisions or making provisions similar to, and in place of, an insolvency provision.

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

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

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

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

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

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

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

On 19 March 2024, the Water Industry (Special Administration) (England and Wales) Rules 2024 came into force. The key change in this respect relate to applying a modified form of the Insolvency (England and Wales) Rules 2016 to the Special Administration regime, thereby displacing the "old" style Water Industry (Special Administration) Rules 2009 that had hitherto

applied, so as to bring the insolvency rules that apply to the Special Administration regime up-to-date with those that apply in the ordinary administration context (subject to applicable modifications).

On 24 February 2025, the WSMA received Royal Assent. The WSMA enables the Secretary of State / Welsh Ministers to modify a water company's licence to modify the charges it imposes to raise such amounts as may be determined by or under the licence conditions, and to pay the amounts so raised to the Secretary of State / Welsh Ministers for the purpose of making good any loss incurred by the Secretary of State / Welsh Ministers in the giving of financial assistance. The WSMA also introduced changes to the WIA91 provisions on winding-up petitions.

Protected Land

Under the WIA, there is a prohibition on Regulated Companies disposing of any of their Protected Land except with the specific consent of, or in accordance with a general authorisation given by, the Secretary of State. A consent or authorisation may be given on such conditions as the Secretary of State considers appropriate. For the purpose of these provisions, disposal includes the creation of any interest (including leases, licences, mortgages, easements and wayleaves) in or any right over land and includes the creation of a charge. 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 water recycling 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 water recycling 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 water recycling undertaker.

Unless a specific consent is obtained from the Secretary of State, all disposals of Protected Land must comply with Condition K of the licence. 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 manage the business, affairs and property of the Regulated Company so that the purposes of the Special Administration Order can be achieved; and (ii) that the best price is received from such disposals so as to secure benefits to customers through the application of the proceeds of such disposals to reduce charges as provided in, and subject to the provisions of, the price control Condition B. To this end there are certain procedures for and restrictions on the disposal of Protected Land and special rules apply to disposals by auction or formal tender and to disposals to certain associated companies. These include a restriction on the disposal (except with the consent of Ofwat) of Protected Land required for carrying out the Regulated 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 of the Special Administration regime and the restrictions on enforcement of security thereunder) and of Condition K of its Licence, Anglian

Water would not expect to obtain, and has not obtained, the consent of the Secretary of State or Ofwat to the creation of any security (including the Security) over its Protected Land. Neither has Anglian Water created any security over its Protected Land.

11.6 Security

11.6.1 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 Instrument of Appointment restrict a Regulated Company's ability to dispose of Protected Land (as explained in Chapter 11.5, "*Protected Land*" above). Accordingly, the licence restricts a Regulated Company's ability to dispose of interests in (or create a charge or mortgage over) Protected Land.

In addition, Condition P of Anglian Water's licence requires it at all times:

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

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

These provisions further limit the ability of Anglian Water to grant security over its assets, in particular assets required for carrying out the Regulated Business, and limit in practice the ability to enforce such security.

The substantial majority of Anglian Water's assets by value is tangible property which is either Protected Land and/or assets that are required for carrying out Anglian Water's Regulated Business and cannot therefore be effectively secured. This necessarily affects the ability of Anglian Water to create a floating charge over the whole or substantially the whole of its business. However, in any event, there is no right under the WIA to block the appointment of a Special Administrator equivalent to the right of a holder of a floating charge over the whole or substantially the whole of the business of a non- Regulated Company may have, in certain circumstances, to block the appointment of a conventional Insolvency Act administrator.

11.6.2 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 a receiver has been appointed between the expiry of the required notice period and presentation of the petition, before the administrative receiver can continue to carry out his functions). These restrictions continue once a Special Administration Order is in force with some modification (see Chapter 11.5, "*Special Administration Orders*" above).

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

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

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

11.6.3 Enforcement of Security over Shares in Anglian Water

Under the WIA, the enforcement of security over and subsequent sale of shares in a Regulated Company will not be subject to the restrictions described above in relation to the security over Anglian Water's business and assets. Notwithstanding this, given

Ofwat's general duties under the WIA to exercise and perform its powers and duties, *inter alia*, to ensure that the functions of a Regulated Company are properly carried out, the Issuer anticipates that any intended enforcement either directly or indirectly of the Security or the Security over, and subsequently any planned disposal of, the shares in Anglian Water to a third-party purchaser, would in practice require consultation with Ofwat. In addition, depending on the circumstances, the merger control rules and the National Security and Investment Act 2021 referred to in Chapter 11.9.5, "*Regulation of the Water and Water Recycling Industry in England and Wales – Competition in the Water Industry*" below, could apply in respect of any such disposal.

11.7 Economic Regulation

11.7.1 General

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

11.7.2 Price controls

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

11.7.3 Price control periods have to date been periods of five years, normally beginning on the first day in April in years ending in 0 or 5 and end on the last day of March 5 years later. PR24; Overview of controls

The 2024 price review ("**PR24**") set price controls for the current period, which operates from 1 April 2025 to 31 March 2030. Under PR24, there are five price controls which apply to Anglian Water, for water resources (abstraction of raw water), water network plus (comprising raw water transport and storage, water treatment and treated water distribution), waste water network plus (comprising collection and treatment of waste water), bioresources (comprising the transport and treatment of sludge and recycling of treated biosolids) and household retail services. The form of the price control for water resources, water network plus and waste water network plus is a total revenue control that covers all revenues from wholesale activities, including revenue and cash receipts from connection charges. For bioresources and household retail the control allows a fixed revenue for each tonne of sludge produced and each household customer served respectively such that the total revenue collected may vary from the level assumed. 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 and Anglian Water's performance in the previous price control period. As such, it will differ between companies and between years. The wholesale price controls (i.e., all price controls excluding the household retail price control) are indexed using CPIH. For network plus price controls, the real annual change in the total allowed revenue is expressed for presentational purposes as a K factor, a company and price control specific adjustment factor which may be positive, negative or zero. Price control are set on the basis of notional gearing levels rather than companies' actual gearing levels. For PR24, Ofwat assumed a notional gearing level of 55 per cent.

The household retail controls are total revenue controls with an annual adjustment factor to reflect the cost differences arising from differences between actual and expected customer numbers. Again there is some flexibility to adjust charges to minimise differences between allowed and actual revenues.

Retail revenue allowances are not indexed.

Regulatory Capital Value (RCV)

Under the methodology developed by Ofwat, the regulatory capital value of Regulated Companies is a critical parameter underlying price controls set at Periodic Reviews, being the value of the capital base of the relevant Regulated Company for the purpose of calculating the return on the capital elements of the revenue allowance. The value of the regulatory capital value to investors and lenders is currently protected against inflation by adjusting the value each year by a combination of RPI and CPIH. From the start of the PR24 price control period the RCV will be fully indexed by CPIH.

Ofwat's projections of regulatory capital value also take account of the assumed net RCV additions in each year of a Periodic Review Period which are a function of the total expenditure over the period and the pay-as-you-go ("**PAYG**") ratio. The PAYG ratio is established for each price control in the Final Determination (or by the CMA in the event that the Final Determination is referred to the CMA for redetermination) and reflects the proportion of total expenditure that is remunerated in the current price control period with the remaining non-PAYG Totex added to the RCV to be remunerated in future periods. The remuneration of the RCV occurs through the RCV run-off, where the RCV is reduced at the RCV run-off rate that is included within the revenue cap.

Revenue Control

Actual turnover will be driven primarily by key physical factors such as metered volumes, metering programmes and new property growth. These will depend on external factors such as the weather, economic growth and customer behaviour. Revenue correction mechanisms correct for differences between actual turnover and the Final Determination allowed turnover (adjusted for inflation).

The control allows for in-period true-ups to take account of any under/over recovery of revenues in prior years of the AMP. In addition there is a revenue forecasting incentive which incentivises companies to ensure that the variance between actual and allowed revenue does not exceed 2 per cent. The retail revenue allowed under the new controls is based on an efficient cost to serve for each customer and therefore will be adjusted as respective customer numbers change.

Adjustments to revenue to reflect performance

The PR24 price control methodology continued the system first introduced at PR14 for incentivising service performance by Anglian Water but which was rationalised at PR19 and PR24 to focus on a smaller set of outputs where most companies now have common Performance Commitments and Performance Commitment Levels. The system comprises a set of outcomes (deliverables that customers have said they want to receive), performance commitments (means of assessing whether those outcomes are being delivered) and performance commitment levels (targeted standards of performance against the measures). The Outcome Delivery Incentives (ODIs) encourage Anglian Water to meet its performance commitment levels, rewarding the company if it exceeds its commitment levels and penalising it if it fails to achieve them. In the case of some ODIs the rewards and penalties are reputational but, the majority of them are financial. In contrast to the 2015-20 period, where rewards and penalties were largely paid at the end of the period, during the 2020-25 period rewards and penalties were paid 'in-period', two years after the year in which they were earned. This will continue during the 2025-30 period. For example, Anglian Water's revenues for 2025/26 were therefore adjusted according to the financial rewards and penalties they earned during the fourth year of the AMP7 Period (2023/24). Although Anglian Water's performance improved in several areas in 2025/26, it incurred an underperformance penalty payment of £10.5 million for 2025/26.

Payments can take the form of a penalty paid by a company to compensate customers for performance below its committed performance level or a reward received by a company to reflect stretching levels of performance provided to customers beyond its committed performance levels.

11.7.4 Bulk Supply Charges

A small number of mainly large consumption non-domestic customers are charged in accordance either with individual "special" arrangements or standard charges which do not fall within the scope of the tariff basket. These include charges for bulk supplies and charges in respect of infrastructure provision and, where these are not in accordance with standard charges, charges for non-domestic supplies of water and the reception, treatment and disposal of trade effluent. Charges for bulk supplies of water are usually determined on an individual basis, as are charges for some larger non-domestic water supplies and some trade effluent. The charging basis for bulk supplies in some cases provides for annual recalculation by reference to the expenditure associated with the supply.

The Water Act 2014 introduced measures which were designed to encourage the entry into bulk supply agreements. On the application of one of the parties to the ensuing agreement, Ofwat may make an order for the supplier to make a bulk water supply to a qualifying person, and for that qualifying person to take it, under such terms and conditions as Ofwat specifies. Ofwat can only make an order if it is satisfied that the bulk supply is necessary for securing the efficient use of water resources and where it is satisfied that the parties are unable to come to an agreement themselves.

The Water Act 2014 enabled Ofwat to create codes relating to bulk supply pricing. Ofwat introduced charging rules for bulk charges to NAVs for the 2026/27 charging year. These rules apply to insets granted after 1 April 2018.

11.7.5 Interim Determinations

Condition B of a Regulated Company's licence provides for Ofwat to determine in certain circumstances whether and, if so, how the level of price controls should be changed between Periodic Reviews. The procedure for Interim Determination can be initiated either by the Regulated Company or by Ofwat. An application for an Interim Determination may be made in respect of a Notified Item, a Relevant Change of Circumstance or where there has been a substantial adverse or favourable effect on the delivery of regulatory outputs. In February 2021, Ofwat introduced to Anglian Water's licence provision for a new type of IDOK, to apply in the event that a scheme envisaged for delivery under the DPC provisions fails.

(a) Notified Item

A Notified Item is any item formally notified by Ofwat to the Regulated Company as not having been allowed for (either in full or at all) in the price control, provided that there has been no Periodic Review subsequent to that notification.

For the AMP8 period, Ofwat's Final Determination included four Notified Items for Anglian Water: (1) any increase in bioresources costs which are attributable to new or changed legal requirements, or any new or changed statutory guidance or direction from Defra to the Environment Agency, in relation to the application to agricultural land of fertilizer derived from sludge; (2) any increases in costs associated with schemes in Ofwat's 'large schemes gated process', covering schemes which are above £100m and where there are concerns around scope, cost, deliverability, complexity or schemes which involve novel elements or complex technologies; (3) any increase in costs to ensure the safety of drinking water with respect to Per- and Polyfluoroalkyl Substances (PFAS) where investigations have been completed and the DWI has issued a new legal notice requiring works; and (4) any increases in cost attributable to any new or changed legal requirements that apply to water companies in relation to cyber security and any new or changed official guidance about the threat level that water companies need to take into account.

(b) Relevant Changes of Circumstances

Relevant Changes of Circumstance are defined in the licences. Such changes include: (a) 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 water recycling undertaker); (b) 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; (c) where on a price determination an allowance has been made for taking steps to secure compliance or facilitate compliance with a legal requirement or achieve a service standard and the Regulated Company has failed to take those steps and (i) 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 (ii) the stated purpose has not

otherwise been achieved; and (d) where on a price determination an amount has been allowed for on account of capital expenditure to be incurred by the Regulated Company, and for any charging year the index of national construction costs used by Ofwat is at a different level from that which had been assumed would pertain for that charging year.

An Interim Determination takes account of the costs, receipts and savings to be included in the price determination which are reasonably attributable to the Notified Items or the Relevant Changes of Circumstance in question and are not recoverable by charges outside the price control formula. The amount and timing of the costs, receipts and savings must be appropriate and reasonable for the Regulated Company in all the circumstances and they must exclude: trivial amounts, any costs which would have been avoided by prudent management action, any savings achieved by management action over and above those which would have been achieved by prudent management action, and any amounts previously allowed for in a price determination. These costs are then netted off against the receipts and savings to determine the annual cash flows thereof for each year included in the period over which the costs are to be measured ("**Base Cash Flows**").

The conditions of the licences also specify a materiality threshold which must be reached before any adjustment can be made. In relation to certain licences (including that of Anglian Water) this materiality threshold is reached where the sum of the net present values of: (i) Base Cash Flows consisting of operating expenditure and/or loss of revenue calculated over 15 years; and (ii) other Base Cash Flows calculated over the period to the next Periodic Review, is equal to at least 10 per cent. of the latest reported turnover attributable to the Regulated Company's business. The net present value of any individual Notified Item or Relevant Change of Circumstance must also be non-trivial. This has been defined by Ofwat in the past as greater than 2 per cent. of the turnover for the respective service (water, water recycling or retail). An adjustment to the level of price controls (which may be up or down) is then calculated on the basis of a formula broadly designed to enable the Regulated Company to recover the additional allowable costs incurred or to be incurred during the period until the start of the first charging year to which the next Periodic Review applies and attributable to the identified Base Cash Flows. The change is then made for the remainder of the period up to the start of that first charging year. Condition B of the licence sets out in detail the step-by-step methodology which Ofwat is required to apply.

(c) Substantial Effects ("**Shipwreck Clause**")

In addition, under the substantial effects "Shipwreck" clause of Condition B, Anglian Water's Licence permits it or Ofwat to request price controls to be reset if its regulated business either: (i) suffers a substantial adverse effect which could not have been avoided by prudent management action; or (ii) enjoys a substantial favourable effect which is fortuitous and not attributable to prudent management action. For this purpose, the financial impact is calculated in the same way as for the materiality threshold above except that the 10 per cent. threshold is replaced by a 20 per cent. threshold.

(d) DPC Interim Determination mechanism

In January 2021, Ofwat modified Anglian Water's licence to provide for a new process by which Anglian Water could undertake the procurement of a third party competitively

appointed provider for projects designated (with Ofwat's agreement) to be delivered under Direct Procurement for Customers ("**DPC**") initiative. The modifications specify the process to be followed in carrying out a DPC procurement, including the requirement to obtain Ofwat's agreement for the procurement, requirements for the contract to be entered into with the third-party provider, and provision for Ofwat to allow Regulated Companies to recover charges from customers to meet the costs of the designated project. The modification to Anglian Water's licence introduced a separate Interim Determination process which would apply where Ofwat revokes the designation of a project as one to be delivered by DPC. Under this circumstance Anglian Water would undertake the project instead of a competitively appointed provider and the Interim Determination would serve to allow it the costs necessary to do so. Ofwat's licence modification therefore introduced a third type of Interim Determination in addition to the standard and substantial effects Interim Determinations. The materiality threshold in the DPC Interim Determination is set at two per cent of turnover or £10m, whichever is the lower.

(e) Cost change process

In February 2026, Ofwat modified Condition B of company licenses to enable a fourth type of Interim Determination, which enables companies to recover costs prior to the next price review arising from three of the items which it designated as Notified Items in its final determination for PR24, namely: (1) any increases in costs associated with schemes in Ofwat's 'large schemes gated process', covering schemes which are above £100m and where there are concerns around scope, cost, deliverability, complexity or schemes which involve novel elements or complex technologies; (2) any increase in costs to ensure the safety of drinking water with respect to Per- and Polyfluoroalkyl Substances (PFAS) where investigations have been completed and the DWI has issued a new legal notice requiring works; (3) any increases in cost attributable to any new or changed legal requirements that apply to water companies in relation to cyber security and any new or changed official guidance about the threat level that water companies need to take into account; and (4) any increase in costs reasonably attributable to works to maintain, renew or replace water network storage, boreholes, rapid gravity filters at water treatment works, relevant civil assets at sewage disposal works, or gravity sewers, in certain specified circumstances. There is a materiality threshold for this type of Interim Determination of two per cent of turnover to determine whether a claim is eligible for an in-period adjustment. A company can still access the cost change process if none of its claims reach the materiality threshold - any required adjustments will be made at the end of the period. Ofwat is further consulting on proposals to amend Condition B of all companies, including Anglian Water's, such that this type of Interim Determination could also be made in respect of increases in costs, associated with new and additional growth in demand.

11.7.6 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.

11.7.7 Other Restrictions on Charging

Under the WIA, Regulated Companies must charge for water supplied, or water recycling services provided, to dwellings in accordance with a charges scheme which must comply with charging rules laid down by Ofwat. In drafting such rules, Ofwat must have regard to charging guidance issued to Ofwat by the Secretary of State. Regulated Companies are prohibited from disconnecting dwellings and certain other premises for non-payment of charges for water supply.

Charging rules provide for charges in respect of site-specific infrastructure to be set so as to reflect:

(a) fairness and affordability;

(b) environmental protection;

(c) stability and predictability; and

(d) transparency and customer-focused service; and

(e) costs of the relevant service.

This, plus the removal of these activities from the scope of the price control (discussed above in relation to principal licence conditions recently modified), have largely ensured a fair and operating competitive market comprising Regulated Companies and self-lay providers for delivery of such infrastructure. However, a strong competitive market remains elusive for one-off applicants for single connections or small blocks of up to 10 flats, where few self-lay competitors operate. To protect these customers, Ofwat is setting "tether ratios" within the charging rules. These represent four maximum unit ratios between charges for these two scenarios and charges for 50 and 200 connections, where competition is strong.

Where water companies introduce new charging policies or see changes in the cost of providing services which lead to significant increases in charges, Ofwat expects water companies to have met a high evidential bar including appropriate third-party support for why the changes are being proposed; proven interactions with customers; and evidence of engagement with and support from customer representatives, where appropriate especially with the Consumer Council for Water ("**CCW**") representing water consumers, on changes to charges schemes for which it is a statutory consultee.

In August 2023 Ofwat published a consultation on "*Changing Ofwat's charging rules to support the new developer services framework*" that proposes the following:

- 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 May 2024 Ofwat published its initial conclusions and a consultation proposing to:

- introduce new price protections for developer customers with limited market choice by capping the difference in charges for sites where competition is lower relative to where it is higher (maximum tether ratio);
- introduce new protections for developer customers with limited market choice by requiring companies to publish separate charges for some activities needed to deliver service connections, within their published Charging Arrangements and worked examples for each scenario;
- introduce new protections for developer customers with limited market choice by requiring companies to publish charges for a new worked example scenario;
- develop Ofwat's understanding of the effects of deregulation and deepen its knowledge of the developer services market by carrying out a market review early in the next price control period, based on engagement with the sector about the scope of the project;
- implement additional guidance to water companies on allocating overheads between developer services and other activities separately, as part of Ofwat's work on annual performance reporting;
- allow companies to set infrastructure charges to enable them to recover all the costs of network reinforcements (but not costs that are not reinforcements), from developer customers; and to allow companies to include historical variances between infrastructure charge revenue and network reinforcement expenditure when setting infrastructure charges.

In October 2024, Ofwat launched a statutory consultation on changes to charging rules to further protect customers in the new developer services framework. In December 2024, Ofwat published its conclusions from the process alongside (i) Charging Rules for New Connection Services (English Undertakers) (English New Connection Rules or ENCR); (ii) the Common Terms and Worked Examples – English New Connection Rules (Common Terms and Worked Examples or CTWE); and (iii) an Environmental Incentives Common Framework (EICF), which was the subject of a separate consultation process. The revised ENCR, CTWE and EICF took effect from April 2025.

11.8 Environmental Regulation

The water industry is subject to numerous regulatory requirements concerning human health and safety and the protection of the environment. Non-compliance with many of these requirements may potentially constitute a criminal offence. However, the Regulatory Enforcement and Sanctions Act 2008 (as amended) ("**RESA**") allows the Secretary of State to confer powers on the regulators to impose civil penalties (such as fixed monetary penalties) on businesses as an alternative to criminal prosecution. Through the Environmental Civil Sanctions (England) Order 2010 the Secretary of State conferred these powers on the EA in relation to a number of environmental offences. The EA's decision regarding which of its enforcement powers to use in relation to a breach includes consideration of the seriousness of the breach and its consequences and the public interest in bringing a prosecution. The EA can also accept an environmental undertaking in lieu of prosecution, the terms of which are suggested by the offender but usually include a donation to charity.

The Sentencing Council issued the definitive guidelines on environmental offences on 26 February 2014 and they came into force on 1 July 2014. The guidelines provide step-by-step guidance for the sentencing of offenders in both the Magistrates and Crown Courts. The guidelines provide the courts with a range of potential fines and invite the courts to consider a series of relevant factors when sentencing offenders. In addition to the harm caused by the offence and the culpability of the offender, the courts are required to take into account the turnover of the offending organisation in order to ensure that the fine is proportionate to the means of the offender. While the current guidelines remain in place, the Environmental Audit Committee, a cross-party committee of MPs responsible for the 2021 inquiry into river water quality, has called for their review as part of their report issued in January 2022. The Government response to the report was published on 16 May 2022 indicating that the Sentencing Council will consider the recommendation that the guidelines for water pollution offences be reviewed. As at the date of this Prospectus, there has been no further update on the proposed review.

The issuance and subsequent application of the definitive guidelines on environmental offences by the courts has led to increases in record fines for large utility companies (including water companies) in the UK over the past eight years. This has in turn driven an increased focus on compliance with environmental laws and environmental permit conditions. It has also increased focus on environmental compliance issues at a senior management and boardroom level.

There has also been unprecedented scrutiny from a wide range of stakeholders on the UK water and water recycling industry, including governments and regulators, NGOs, local communities and other stakeholders. There is heightened focus on the environmental performance and compliance status of the industry as a whole, particularly in relation to wastewater discharges. Stakeholder groups have been increasingly calling for greater regulatory enforcement action to be taken and the EA has responded by pursuing more aggressive enforcement action against water companies, including by way of increased fines for environmental offences and even prison sentences and disqualification orders for directors of water companies. This is against the backdrop of the previous UK Government’s commitment to increase water company inspections carried out by the EA to 4,000 a year by the end of March 2025, and to 10,000 by the end of April 2026. A DEFRA press release published in May 2025 stated that the EA has

launched 81 criminal investigations into water companies since the Labour Government came into office in July 2024, highlighting the record levels of enforcement action.

Changes to Variable Monetary Penalties ("**VMPs**") came into force on 1 December 2023 by way of statutory instruments amending the EP Regulations 2016 and the Environmental Civil Sanctions (England) Order 2010 (Order). Following a public consultation, the EA published its updated enforcement and sanctions policy which applies to offences that occur from 11 December 2023 onwards. The EA can now impose potentially significant financial penalties on companies that pollute the environment without bringing criminal proceedings. The previous £250,000 cap on VMPs under the Environmental Civil Sanctions (England) Order 2010 was removed, and the range of offences for which VMPs can be imposed was expanded. In addition, the government confirmed in July 2026 that the EA can now impose variable monetary penalties (VMPs) up to £500,000 to the civil standard of proof (balance of probabilities, rather than the criminal standard) for a wider range of offences, including breaches of environmental permits, water abstraction licences, impounding licences and drought permits. A new tier of automatic fixed penalties is also being introduced for specified minor to moderate offences, set at £10,000 (doubling to £20,000 if unpaid within 28 days), operating similarly to a fixed penalty notice. Criminal prosecution and unlimited penalties (proved to the criminal standard) remain available for the most serious offences.

There has also been a particular focus on pollution incidents. The EA, in its report on "The State of the Environment: Water Quality" dated February 2018, expressed the view that there "are still far too many serious pollution incidents" in the UK. In 2020, it requested that all water companies develop, publish and implement Pollution Incident Reduction Plans ("**PIRPs**"). Anglian Water has published a PIRP, which can be found at https://www.anglianwater.co.uk/siteassets/household/about-us/our-strategies-and-plans/pollution-incident-reduction-plan-2023-2025-final-compressed.pdf (but which does not form part of this Prospectus). Despite this requirement, in the 2023 "*Water and sewerage companies in England: environmental performance report 2023*" published on 23 July 2024, the EA stated that it remains concerned about the high number of pollution incidents. The EA has 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. The EA is also expecting companies to continue to reduce pollution incidents from sewer systems and sewage treatment works in particular, as new requirements have been introduced by the Environment Act 2021 concerning storm overflows and sewerage discharges (see *Environment Act 2021 – storm overflows*).

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 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. Anglian Water was not involved in these proceedings and it remains to be seen whether this judgment will result in increased numbers of claims against water companies or impact the regulatory system they are subject to.

In addition, there are ongoing inquiries into the state of the regulatory regime and potential reforms which could be made. For example, on 23 October 2024 the government announced

an Independent Commission into the water sector and its regulation (the Independent Water Commission, or 'IWC').

The final report of the IWC was published on 21 July 2025. The Commission set out 88 recommendations in its report. Key recommendations included the following:

- **Single integrated water regulators.** The report recommends a single water regulator in England. This would replace Ofwat, the Drinking Water Inspectorate and water-environment related functions from the Environment Agency and Natural England. The IWC said that the new single regulator would simplify the system, reduce duplication, close regulatory gaps and improve investor confidence through a more stable regulatory regime.
- **Eight new regional water system planning authorities in England and one national authority in Wales.** The report recommends devolving current planning responsibilities and transferring resources from the regulators to nine new regional water authorities. These would be responsible for developing water investment plans that reflect local priorities and voices. They would streamline existing planning processes and be empowered to direct funding and ensure accountability from all sectors that impact water. They would be independent and include representation from local councils, public health, environment, agriculture and consumers, among others.
- **Greater consumer protection.** The Commission sets out proposals to improve affordability and customer service. That includes upgrading the consumer body CCW into an Ombudsman for Water to give stronger protection to customers and a clearer route to resolving complaints. It then proposes transfer responsibility for consumer advocacy to Citizens Advice. The Commission also recommends the introduction of a national social tariff to provide consistent support for low-income customers who need support to pay their bills.
- **Stronger environmental regulation.** The report recommends significant improvements to areas such as Operator Self-Monitoring of sewage treatment works performance through greater digitalisation, automation, third-party assurance and inspections. It proposes stronger regulation on abstraction, sludge, drinking water standards and water supply. It recommends compulsory water metering, changes to wholesale tariffs for industrial users and greater water reuse and rainwater harvesting schemes. It also sets out where environmental legislation needs updating and why, including proposals for a new long-term and legally binding target for the water environment.
- **Tighter oversight of water company ownership and governance.** The Commission recommends new powers for the regulator to block changes in water company ownership – for example, where investors are not seen to be prioritising the long-term interests of the company and its customers – as well as potential new 'public benefit' clauses in water company licences. It recommends that the regulator set "minimum capital" requirements so that companies are less reliant on debt and more financially resilient. On investment, the report sets out proposals to improve investor confidence, including government direction to the regulator to support stability and predictability for long-term investors.

- **Public health reforms:** The report covers legislative reforms to better manage public health risks in water, recognising the many people who swim, surf and enjoy other water-based activities. These include a) new public health objectives in water quality legislation b) senior public health representation on regional water planning authorities and c) legislative changes to address emerging pollutants such as PFAS, micropollutants and microplastics.
- **Fundamental reset of economic regulation.** The report recommended a new 'supervisory' approach to economic regulation, supporting tailored decisions and earlier interventions in water company oversight. The report also makes recommendations on the Price Review process, including changes to ensure companies are investing in and maintaining assets and to help attract long-term, low-risk investment.
- **Clear strategic direction.** A new long-term National Water Strategy should be published by both the UK and Welsh governments. This should have a minimum horizon of 25 years, with interim milestones on a 5 and 10 year basis. It should be cross-sectoral, with a clear framework for managing the many demands on water. A set of ministerial priorities specifically for the water industry should also be issued to regulators every five years, replacing the current Strategic Policy Statement (SPS).
- **Infrastructure & asset health reforms.** The report recommends new requirements for companies to map and assess their assets and new resilience standards that are forward-looking and applied consistently across the industry.

In a statement to the House of Commons on the day of the report's publication, the government confirmed it would instantly accept recommendations regarding the new single regulator, the establishment of a new statutory water ombudsman, cessation of Operator Self-Monitoring and the establishment of new regional water system planning authorities. On 20 January 2026, the UK Government released a white paper, "A New Vision for Water" (the "**White Paper**"), responding to the Commission. The White Paper broadly accepts the recommendations of the Commission's final report and both responds to and builds on its recommendations, setting out the actions the Government considers necessary to fix the water system. Central to the White Paper is the creation of a new, stronger single regulator, bringing together the relevant water system functions currently undertaken by Ofwat, the DWI, the EA and Natural England. The Government has stated that the new regulator will introduce an 'MOT' approach for conducting checks of water company infrastructure, requiring health checks on pipes, pumps and other assets, and that there will also be 'no notice' inspections of water company infrastructure. The White Paper also confirms the Government's intention to move abstraction regulation into the EP Regulations. The White Paper suggested some reforms be taken forward immediately, while others form the foundations of a new water bill to be introduced during the previous Government's term. The previous Government had stated that it would also publish a transition plan on the reforms during 2026, ahead of the introduction of the proposed water bill.

In March 2025, the OEP launched an investigation into whether DEFRA and the EA had breached the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017. The investigation was prompted by an OEP report published in May 2024,

which assessed how these regulations are being implemented, and found that the UK is not on track to meet its environmental objectives for improvement of water bodies by 2027.

Consequently, in light of ongoing regulatory scrutiny, the Government may choose to reform the regulatory regimes that govern the UK water sector, which could include changes to the regulations affecting Anglian Water. No proposed changes have been made to date.

Storm overflows

Aligned with the EA and Ofwat investigation, the Environment Act introduced new obligations on both the Secretary of State and sewerage undertakers in respect of storm overflows. Sewerage undertakers are now 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. DEFRA published this plan, the Storm Overflows Discharge Reduction Plan for England, and the government response to its consultation on the draft plan, on 26 August 2022. The plan sets water companies targets to reduce all storm overflows. On 25 April 2023, DEFRA published a press release stating that it would enshrine the targets contained in the Storm Overflow Discharge Reduction Plan in law. No such law has been enacted to date. In June 2023, the Government consulted further on the expansion of the Storm Overflow Discharge Reduction Plan to cover coastal and estuarine waters, which had not been specifically included in the plan as published on 26 August 2022. On 25 September 2023, DEFRA published an updated Storm Overflows Discharge Reduction Plan. The updated version includes further categories of designated environmental sites under the list of high priority sites (e.g. marine conservations zones, shellfish waters, and special protection areas) and clarified that all storm overflows discharging to estuaries or the coast need to meet the rainfall spill targets by 2050. 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 nature 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 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 2021, the UK Government must also produce a report in 2025 on implementation of the Storms Overflows Discharge Reduction Plan and the effect of any progress. DEFRA published its latest progress report in December 2025. Subsequent reports will be published every five years. Separately, in June 2023, and following a consultation launched in May 2023 on the storm overflows performance commitment definition for PR24, Ofwat also published measures that will penalise companies that do not fully monitor storm overflows (all storm overflows must be electronically monitored). 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.

In November 2024, DEFRA published a consultation on draft guidance for WASCs and regulators on storm overflow discharges. The consultation closed on 24 January 2025 and final guidance was published in March 2025. The guidance applies to WASCs whose areas are wholly or mainly in England. It aims to support WASCs in assessing storm overflows and implementing improvements. The document also summarises the existing legal requirements for storm overflows in the UK and explains possible enforcement options where breaches arise. The guidance does not create any new legal requirements, so is intended as an aid for WASCs and regulators only.

The WSMA (subject to the introduction of regulations) requires water companies in England and Wales to publish information on the frequency and duration of discharges of emergency overflows in near real time, within an hour of a discharge occurring. To meet this requirement, water companies will have to install and operate monitors at all emergency overflows, and will need to ensure that these are independently certified to meet the requirements of the EA's Monitoring Certification Scheme for equipment, personnel, and organisations. Such real time monitoring will be scrutinised by regulators to ensure compliance with relevant obligations and take enforcement action appropriately.

The impact of these requirements will not only be in the increased costs required to prepare and publish data but may also result in an increase in investment and capital expenditure needed to ensure sewerage undertakers are in a position to report on the level of data required. There is also a concern that such investment will not be covered by the Periodic Review process. See "*Risk Factors"* and in particular, "*Risk Factors – Risks relating to the Issuer – Costs of Compliance with Environmental Laws and Regulations"*.

Abstraction Licensing

Regulated Companies are dependent on abstraction licences issued by the EA to enable them to abstract water from surface and groundwater. Under the Water Resources Act 1991, water abstractions must be carried out in accordance with a licence granted by the EA. It is a criminal offence to abstract water without a licence or in breach of the conditions of an abstraction licence. The maximum penalty is an unlimited fine. Existing abstraction licences may be revoked or varied by a direction from the Secretary of State without compensation being payable to a water or sewerage undertaker.

The Government has long raised concerns about the UK's approach to managing water abstraction, specifically in relation to older abstraction licences which allow abstraction which may cause damage to the environment (including licences previously granted without a time limit). In the Government's revised 25 Year Plan published in 2023, the Government stated that the amount of abstraction needed to reduce to be sustainable.

In line with these concerns, DEFRA worked on a significant programme of water abstraction reform, a key element of which included the incorporation of the water abstraction regime into the environmental permitting regime set out in the EP Regulations 2016. A 12-week consultation commenced by DEFRA in September 2021 on this move closed in December 2021. Anglian Water still awaits the publication of feedback (which was previously expected in 2023) and any resultant changes to the proposal from the DEFRA consultation (noting that the IWC's report recommends incorporating the water abstraction regime into the environmental permitting regime).

The Environment Act 2021 amends the Water Resources Act 1991 to give the EA additional powers to revoke or vary permanent abstraction licences without the need to pay compensation, without having to seek direction from the Secretary of State. Specifically, it sets out that on or after 1 January 2028, the EA would be able to:

(a) revoke or vary an abstraction licence where the change is necessary to protect the environment; and

(b) vary a licence to reduce the permitted volume where the abstraction licence is consistently underused over an assessment period of 12 years if the quantity abstracted did not exceed 75 per cent. of the volume authorised by the abstraction licence in each year of the 12-year period.

In November 2021, the EA published a new licence capping policy to meet the WFD no deterioration driver under abstraction reform. This signalled the need to cap all licences to either recent historical maximum and/or recent historical average levels to protect the environment from the impact of future growth in water demand. This policy would take immediate effect and would apply at any licence application, variation or renewal.

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

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

In June 2025, the EA published its National Framework for Water Resources 2025, which sets out its current abstraction licensing approach, with several forward looking reforms. In particular:

- the EA is running a programme to restore sustainable abstraction in catchments that are over-licensed beyond what is environmentally sustainable, which may result in reallocation of water rights;
- a programme is underway assessing non-use of abstraction licences, with the EA able to use its powers to recover unused or under-used water rights; and
- the EA has stated it plans to consult further on its approach to reserving water abstraction rights for future/strategic needs (e.g. for infrastructure developers needing certainty of future supply).

The EA published revised guidelines on competing abstraction proposals in November 2025 and launched a consultation on its proposed approach to reserving water abstraction rights, which made some of the same proposals. Key reforms proposed included moving abstraction and impoundment regulation into the EP Regulations and introducing a decision-making framework under which the EA could consider granting abstraction licences to strategic water resources schemes in advance of their operation start date. The consultation expressly does not cover prioritisation between water company customers, temporary reallocation of rights during drought, or the removal or restriction of existing rights for non-use, under-use, inefficient use, or unsustainable abstraction. The consultation closed in February 2026 and DEFRA has stated there will be delays in publishing a response due to the high level of feedback. As at the date of the Prospectus, no consultation response has been published.

54 time-limited licences expired in December 2022, and Anglian Water agreed an appropriate capping level for 31 of these licences which balanced the need to protect public water supplies with the sensitive environment in the East of England. Anglian Water applied to the Environment Agency with the agreed licence volume changes, and the Environment Agency have determined and issued the majority of new abstraction licence with agreed licence volumes.

For the other 23 licences, the new expectation from the Environment Agency (based on national guidance issued in November 2021) indicated the need to cap these licences at levels greater than planned for within Anglian Water's Water Resources Management Plan 2019 (WRMP19) which would put public water supplies at risk. Anglian Water required an exemption under regulation 19 of the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 (hereafter referred to as the WFD Regulations) – otherwise known as overriding public interest (OPI). In 2022, Anglian Water submitted 9 OPI cases, covering the 23 licences which expired, which the Environment Agency are in the process of determining.

Seventeen further licences have expired since December 2023 with four additional OPIs prepared and submitted. The Environment Agency are still in the process of determining the OPI cases submitted, where they have now agreed internally the process which can be applied. Anglian Water is in the process of redrafting the OPI cases into a new agreed process.

Anglian Water is proactively looking ahead and collaborating with the EA on future TLL licences and will be following the same process as completed for the licences that have already expired – either agreement on licence capping level or applying for a Regulation 19 exemption. The new expectation on licence caps has been included within Anglian Water's WRMP24. However, the ongoing review of licences that may affect sites designated under The Conservation of Habitats and Species Regulations 2017, is likely to see additional restrictions placed on some sources; before new infrastructure is brought online, abstraction will need to be maintained on the basis of a Section 64 exemption on grounds of imperative reasons of overriding public interest. See "*Risk Factors*" and in particular, "*Risk Factors – Risks relating to the Issuer – Regulatory, Legislative and Political Risks – Licence Compliance Modification*".

In addition to needing to meet heightened regulatory requirements, abstractors may also face civil claims where damage arises from abstractions. On 4 February 2016, the High Court gave its judgment in the case of *Chetwynd and another v Tunmore and another* [2016] EWHC 156 (QB). This case was the first to consider s 48A of the WRA, which provides that a person who suffers loss or damage as a result of abstraction from inland waters or underground strata can bring a claim against the abstractor. In this case, the High Court confirmed that there was no need for the loss suffered by a claimant to be a foreseeable consequence of the water abstraction. However, the High Court confirmed that a claimant must prove, on the balance of probabilities, that but for the water abstraction, the loss and damage would not have occurred.

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 regulated by Anglian Water predominantly arise from the food, drink and chemical industries.

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, the 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 a 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 (SI 1156) (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 "**special category effluent**"), the Regulated Company must refer to the EA any application to make such a discharge. The EA must then determine whether, and if so upon what conditions, the Regulated Company may accept the discharge. The Regulated Company cannot consent to the discharges to which the reference relates until the EA serves notice on the Regulated Company of its determination on the reference. Any person aggrieved by the refusal of a 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. In addition, in certain circumstances, the EA has the power to review discharges of special category effluent and may require the termination or variation of the relevant discharge. Again, this power is subject to restrictions, unless the review is required to enable compliance with retained EU law obligations or international agreements, or for the protection of the environment.

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.

Anglian Water consents to the discharges it regulates to protect its operations and the environment, and compliance is enforced on a risk-based approach. Where traders fail to meet the consent limits Anglian Water first tries to work with them to resolve the problems. However, if there is incidence of persistent failures or damaging discharges Anglian Water uses enforcement powers to prevent further reoccurrence. It is an offence 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, and in both cases the maximum penalty is an unlimited fine.

Sewerage Sludge

Anglian Water currently beneficially recycles the vast majority (i.e., more than 95 per cent.) of its water recycling sludge by using it on agricultural land as a fertiliser and soil conditioner. Recycling to agricultural land is recognised by the EU and the UK Government as the Best Practicable Environmental Option for such material. Sludge is recycled to agricultural land in accordance with the Sludge (Use in Agriculture) Regulations 1989 (as amended and supported by a Sewage sludge in agriculture: code of practice for England, Wales and Northern Ireland (DEFRA 23 May 2018) and in addition the company's overall sludge treatment & recycling operation has achieved certification to the Biosolids Assurance Scheme.

In 2018, the government introduced '*The Reduction and Prevention of Agricultural Diffuse Pollution (England) Regulations 2018*' also known as the '*Farming rules for water'*. These regulations specify (*inter alia*) that a land manager must ensure that, for each application of organic manure or manufactured fertiliser to agricultural land, the application must be planned so that it does not (i) exceed the needs of the soil and crop on that land, or (ii) give rise to a significant risk of agricultural diffuse pollution. As a result of this requirement, concerns were raised regarding the extent to which it would be permissible to apply Biosolids to land outside of the growing season. Following extensive dialogue between farmers, the water industry and the EA, in March 2022 (as updated in June 2022), DEFRA published Statutory Guidance entitled "*Applying the farming rules for water*" which clarifies that the government does not currently intend to ban autumn manure spreading through the farming rules for water. The Statutory Guidance (now named "*Enforcing the farming rules for water"*) was updated in June 2025 and there is still no indication that the government intends to ban autumn manure spreading. The Statutory Guidance is next due for review no later than September 2028.

In August 2023, the EA published a policy paper on the "Environment Agency strategy for safe and sustainable sludge use" in which it stated that regulatory change is needed in respect of the use of sludge. It stated that it intends to develop the existing EP Regulations framework to provide regulatory tools for using sludge and materials containing sludge, which will remove the need for the Sludge (Use in Agriculture) Regulations 1989 (as amended). The EA confirmed in January 2026 that it intended to work with DEFRA, Water UK, the water industry and others to develop the strategy and aim to submit a request for legislative change. Various options for reform (ranging from updating the EP Regulations framework to changing standards on sludge spreading via non-regulatory means) were also proposed by DEFRA in a consultation which closed on 24 March 2026.

It should be noted that sludge use in agriculture is subject to both market forces and legislation. Significant changes to markets or legislation could cause Anglian Water to incur material expenditure.

Energy and Climate Change

Energy use in water and water recycling treatment processes is one of Anglian Water's biggest environmental impacts, as it results in emissions of greenhouse gases. As part of its sustainable development strategy, Anglian Water aims to obtain more energy from renewable sources and become net zero carbon by 2030. Anglian Water recognises that its net zero carbon 2030 commitment is limited to its operational emissions and is currently investigating how to broaden its carbon reduction aims and be consistent with the UK Government 2050 ambitions.

Anglian Water may incur increased costs in the future due to increased electricity prices to account for carbon trading schemes and carbon prices applicable to electricity generators. Tighter caps on emissions and full auctioning of allowances have applied to most electricity generators in the EU Emissions Trading Scheme ("**EU ETS**") and the new UK Emissions Trading Scheme ("**UK ETS**"). The UK left the EU ETS in 2021 following the June 2016 referendum in favour of the UK leaving the EU and the replacement UK ETS scheme began operating in January 2021 and had an emissions cap that was 5 per cent. lower than the UK's share would have been under the EU ETS. As expected, these schemes have given rise to a restriction on supply resulting in higher prices for carbon that are being passed on by the generators to consumers such as Anglian Water in the price of wholesale electricity. The Government's introduction of a carbon price floor for electricity generation, under the Climate

Change Levy (General) (Amendment) Regulations 2013, has also affected electricity prices. Anglian Water's electricity costs were £144 million in 2025/26, 55 per cent. of which were associated with regulated charges and levies such as distribution and transmission charges, system balancing costs and other low-carbon transition costs. The regulated element is forecast to continue to grow as a percentage of total electricity costs by the end of the AMP8 Period; while recent increases in wholesale prices due to the surging price of natural gas have changed this balance, the regulated element is still forecast to grow in absolute terms.

It is therefore likely that energy transition costs will continue to be included in the cost of electricity for the time being and given the adoption of the target of reaching net zero by 2050 in the Climate Change Act 2008 and the UK's Paris Agreement commitments, these costs are unlikely to decline.

Separately, the Climate Change Act 2008, which includes a framework for the adoption of environmental trading schemes, provides for a duty on companies to report on greenhouse gas ("**GHG**") emissions. This has been implemented in the UK by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and puts an obligation on quoted companies to report on their GHG emissions. The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which took effect in respect of financial years beginning on or after 1 April 2019, also require quoted companies, large unquoted companies and large limited liability partnerships to report on their emissions, energy consumption and actions taken to improve energy efficiency.

This has been added to with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, which apply in respect of financial years starting from 6 April 2022 onwards and require UK companies with a group turnover of more than £500 million and more than 500 employees to prepare an annual non-financial and sustainability information statement with a number of climate-related financial disclosures similar to those recommended by the Task Force on Climate-related Financial Disclosures. The UK Government is conducting a Post-Implementation Review ("**PIR**") of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 to test how companies and LLPs are reporting and how these disclosures are being used by investors and other users. The PIR is due to be completed by spring 2027.

The UK Government has also announced that it intends to develop Sustainability Disclosure Requirements which will be based on the International Sustainability Standards Board's International Financial Reporting Standards (IFRS) S1 and S2 and which will require in-scope companies to make further sustainability disclosures. The UK Government has endorsed the International Sustainability Standards Board's International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards (IFRS S1 and S2) and published UK-endorsed equivalents (UK SRS S1 and S2), which will form the basis of a new sustainability disclosure regime for in-scope companies. Following consultation on draft standards in 2025, the final UK SRS were published in February 2026 and the Financial Conduct Authority released its final rules on disclosure requirements for listed companies on 24 September 2026.

By nature, Regulated Companies are exposed to the risk of increasing drought and consequent loss of abstraction resources resulting from the effects of climate change. It is likely that the use of such resources will become increasingly regulated as governments work to comply with their international obligations pertaining to the environment and as such resources become scarce. As a consequence and in order for Regulated Companies to comply with such

increasing regulation and to adapt to and mitigate the risk of decreasing abstraction resources, it is likely that this will be a future area of investment for these companies. To the extent that such investment is not allowed by Ofwat for whatever reason, this may constitute a material liability for the relevant company.

Asbestos

The Control of Asbestos Regulations 2012 impose a duty on those who own or control commercial premises to carry out detailed assessments for the presence of asbestos, record its condition and proactively manage the associated risks. Asbestos is present at a number of Anglian Water's properties and there is a risk that Anglian Water may incur material expenditure in managing or removing asbestos located at these properties to comply with the Regulations.

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 every Regulated Company 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 Regulated 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 Regulated Companies. This was confirmed by the House of Lords' decision in *Marcic v Thames Water Utilities* [2003] UKHL 66.

*Combined Sewer Overflows ("**CSOs**")*

The development of urban drainage systems has evolved over time. 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**"). On 8 May 2018, the EA published a guidance document for water companies which set out the appropriate process for submitting permit applications for storm overflows. When, 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 regulates and monitors the impact of these discharges on the aquatic environment. Any discharges which are considered to be unsatisfactory may be required to be improved through the investment programme agreed as part of the Periodic Review process.

The European Commission commenced infraction proceedings in 2010 against the Government relating to the implementation of the UWWTD in relation to untreated waste water discharges at CSOs in five specific localities (London, Whitburn, Beckton, Crossness and Mogden). In October 2012, the ECJ held that the Government was in breach of the UWWTD by failing to ensure that appropriate systems are in place for the collection and treatment of urban waste water. The final judgment found against the Government. In January

2019, the Commission issued a last reminder to the UK to comply with the decision before they refer the case back to the Court and request financial sanctions. A Defra spokesperson commented that UK compliance was at or above EU average levels and that the Government was considering its response although no further action has been taken. Any significant new obligations arising from this case would be expected to constitute a change in legal requirement and any expenditure could be included through the Periodic Review or Interim Determination process.

In December 2024, the OEP published findings from its investigation into the management of combined sewer overflows by regulators and across the sector. The OEP found DEFRA, the EA and Ofwat have breached environmental laws by failing to properly regulate CSOs and allowing untreated sewage discharges to occur beyond the exceptional circumstances permitted by law. The report identifies failures across all three authorities in areas including guidance, enforcement and regulatory compliance. This is the second time the OEP has reached this conclusion, with a similar warning issued in 2023. The OEP has recommended the authorities consider revising guidance, delegating responsibilities effectively, updating and reviewing CSO permits to meet environmental standards and improving collaboration. Each authority was issued a decision notice outlining the findings and steps required to be taken by the authority to address the issue. The three decisions notices also require the agreement of a memoranda of understanding between DEFRA, the EA and Ofwat to ensure that CSO permits comply with the relevant regulatory law. On 22 July 2025, the OEP announced that it had concluded its investigation after securing significant progress in tackling the issues it had raised. The OEP noted that steps taken by the authorities in response to its recommendations included DEFRA replacing outdated guidance with a new policy and guidance document; Ofwat revising its enforcement guidance and taking enforcement action against several water companies and the Environment Agency updating its Storm Overflow Assessment Framework and progressing with plans to modernise permits and introduce spill limits. The OEP published its detailed reports on the investigation in December 2025 and notes that it had identified failures to comply with environmental law by each of the three public authorities in relation to the regulation of network CSOs. Decision notices were issued to the public authorities by the OEP which set out actions required to address the non-compliances.

Discharge into Inland Fresh Waters, Coastal Waters or Relevant Territorial Waters

If Regulated Companies wish to discharge polluting matter into such water bodies, whether from continuous or intermittent (Storm/CSO) outfalls, they must seek an environmental permit from the EA. The EA has the power to grant or refuse permits, to impose conditions, or to modify, vary or revoke such permits. Permit conditions may control the quantity of a discharge or the concentrations of particular substances in it, or impose broader controls on the nature of a discharge. They are based on objectives set by the EA for the quality of the relevant receiving water as well as any relevant water quality standards in EU Directives and these were retained as domestic law at the end of the Brexit transition period.

Discharge of Sewerage Effluent

Under the EP Regulations 2016, a Regulated Company will be regarded as responsible for a discharge of sewage effluent if it was bound to receive into its sewers the matter included in that discharge. However, a Regulated Company will not be guilty of an offence under EP Regulations 2016 if the offending discharge is attributable to a discharge into a sewer by a

third party which the Regulated Company was not bound to receive and could not reasonably have been expected to prevent.

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.

Non-Compliance

The EP Regulations 2016 provide for a number of other water pollution offences which include causing or knowingly permitting any poisonous, noxious or polluting matter or any trade or sewage effluent to enter the above water bodies unless the relevant discharge is made under and in accordance with a regulatory consent (including an environmental permit), and failing to comply with the conditions in an environmental permit. The maximum penalty for these offences is an unlimited fine or five years' imprisonment.

It is possible that the regulators may prosecute a company's directors, managers, secretary or others in similar offices, if it believes that the offence was committed with their consent or connivance, or was attributable to their neglect. The EA indicated in July 2022 in its "*Environmental Performance Report 2021*" that it intends to pursue more aggressive enforcement action going forward, including against directors of water companies. On 11 December 2023, the EA published its updated enforcement and sanctions policy which applies to offences that occur from 11 December 2023 onwards. Changes to VMPs came by statutory instruments amending the EP Regulations 2016 and the Environmental Civil Sanctions (England) Order 2010 (Order). As of 11 December 2023, the EA can now impose potentially significant financial penalties on companies that pollute the environment without bringing criminal proceedings. The previous £250,000 cap on VMPs under the Environmental Civil Sanctions (England) Order 2010 was removed, and the range of offences for which VMPs can be imposed was expanded. Following a consultation which closed on 3 December 2025, DEFRA and the EA confirmed they would amend the VMP regime by setting a £500,000 VMP cap for civil offences, using the civil standard of proof for minor to moderate environmental offences. In the same announcement, DEFRA and the EA confirmed that, pursuant to the Water (Special Measures) Act 2025, automatic fixed monetary penalties will be introduced for specified minor to moderate offences. Secondary legislation and an updated Environment Agency Enforcement and Sanctions Policy will provide additional detail and clarification in due course.

Under the EP Regulations 2016, certain lower risk facilities are exempt from the requirement to hold a permit. In April 2025, DEFRA, the EA, the Welsh Government, and Natural Resources Wales published a joint consultation on proposed reforms to these regulations to further streamline the arrangements around the types of controls that apply to different types of environmental risk. The proposals include giving the regulators new powers to: define which types of facilities can be exempt from permitting requirements; setting specific conditions for these exempt facilities; and, removing exempt status from facilities if necessary. These new powers would apply only to certain classes of regulated facilities: flood risk activities; waste operations; water discharges; and ground water activities; and in England only,

waste controlling and transporting activities. The consultation closed on 3 June 2025 and no further steps have been taken at this stage.

Management of Water Resources

Water Resources Planning

The Water Act 2003 amended the WIA to provide that Regulated Companies are under a duty to further water conservation when they formulate or consider any proposal relating to their functions and placed water resources management plans on a statutory footing: Regulated Companies have a duty to produce WRMPs, publish and consult upon them. These plans set out how the Regulated Company will manage and develop water resources so as to be able, and continue to be able, to meet its water supply duties under the WIA. It must address, amongst other things, the Regulated Company's estimate of the water it will need to meet its duties, and the measures it intends to take to manage and develop resources. The planning period is 25 years.

Anglian Water's 2024 WRMP covers the period 2025 – 2050 and beyond. The WRMP proposes significant demand management (including completion of smart meter rollout by 2030) as well as two new reservoirs, an advanced reuse plant and further transfers to enhance interconnectivity. Anglian Water ran a public consultation on the draft WRMP between December 2022 and March 2023, in accordance with statutory requirements. The Statement of Response to the consultation feedback was published on 29th August 2023, with revised draft documentation submitted to Defra at the same time. The final WRMP was published in April 2025.

On 12 August 2026, the Environment Agency published the outcome of its November 2025 consultation on significant water management issues as part of its review and update of river basin management plans. The consultation outcome summarises stakeholder responses to the consultation and sets out how the EA will use the feedback in developing the next RBMPs. The draft RBMPs will be published for a six-month statutory consultation from December 2026. The final RBMPs will be published in December 2027, after approval from the Secretary of State.

Water Industry National Environment Programme ("WINEP")

The WINEP comprises a set of actions that the EA has requested all 20 water companies operating in England to complete between 2020 and 2025, in order to contribute towards meeting their environmental obligations.

In order to ensure its abstractions are sustainable, Anglian Water is implementing a number of mitigation schemes alongside sustainability reductions. WINEP mitigation options include river restoration and river support and are to be delivered according to their obligation dates. The sustainability reductions in the WRMP are dependent upon the delivery of the selected WINEP mitigation options. If for whatever reason these options cannot be delivered, then the sustainability reductions required would be much greater so the programmes of demand-side and supply-side options would need to be brought forward and new options added.

Sustainability Changes and Reductions

The management of water resources by Regulated Companies is subject to a number of challenges, including: dry weather conditions; climate change; increasing demands for water; rises in leakage rates; aquifer contamination from industrial and agricultural pollution; and

reductions in abstraction required to ensure sustainable river systems. In relation to the latter, the EA has been instructed by Defra to use its powers to amend, modify or revoke damaging abstraction licences (see *Water Abstraction Reform*).

In previous years, funding for environmental sustainability reductions has been provided through the Periodic Review with the solution chosen to achieve the abstraction reduction (such as use of an alternative water supply source) being funded prior to its implementation. From 15 July 2012, the EA was given the power to lower the authorised quantity of existing abstraction licences without paying compensation if it believes it is necessary to protect any waters or underground strata, or any flora or fauna dependent on them, from "serious damage". The EA's approach to any such revocation or variation was assessed against a set of principles to determine whether there was a need to protect the environment from "serious damage" and throughout any process of assessment there will be consideration of any cost-effective alternatives to changing the licence to meet environmental objectives. Under the Environment Act 2021, this power will be extended from 1 January 2028 (see *Abstraction Licensing*). At this time, a funding route for sustainability reductions will need to be found, and it is possible that the Periodic Review mechanism will be used again.

11.9 Competition in the Water Industry

11.9.1 General

Each Regulated Company currently effectively holds a geographic monopoly within its appointed area for the provision of water and water recycling services although there is some limited competition (e.g. in relation to non-household customers). Ofwat has concurrent powers with the CMA to apply competition law on anti-competitive practices and abuses of a dominant position to ensure a level playing field in the industry. In March 2017, Ofwat published guidance on its approach to applying the Competition Act and the corresponding provisions in Articles 101 and 102 of the Treaty on the Functioning of the European Union in the water and wastewater sector in England and Wales. Ofwat has stated that it will use its powers under the Competition Act to investigate and prohibit anti-competitive practices and abuses of a dominant position to ensure a level playing field in the industry. Ofwat has a duty to consider whether the exercise of its powers under the Competition Act is more appropriate before using its powers under the WIA to promote competition.

The current main methods for introducing competition are:

- new appointments and variations (NAVs) – where one company can replace another as the statutory undertaker for water and/or sewerage services in a specified geographical area within the other Regulated Company's appointed territory (see Chapter 11.3.2, "*Regulation of the Water and Water Recycling Industry in England and Wales – Licences – Termination of a Licence*" above). NAVs can be granted for sites which do not already receive public water and/or sewerage services, sites on which premises use or are likely to use at least 50 mega litres of water per annum, or where the incumbent undertaker agrees to transfer part of its service area to a different company. In September 2018, Ofwat published a revised version of its application guidance and application form for NAVs, containing minor amendments to the earlier version. For completeness, in May 2025, Ofwat published its decision to amend certain ring-fencing provisions

in NAV licences to achieve a broadly consistent regulatory ring-fencing framework in NAV licences across England and Wales;

- facilitating developers, or their contractors, to provide new water mains and service pipes instead of asking Regulated Companies to do the work ("self-lay"). The Water Act 2003 introduced a statutory framework for self-lay (see below). This has been further bolstered by (i) a new developer charging rule, binding from April 2022, requiring Regulated Companies charges to reflect the cost of the relevant service and (ii) the removal of many contestable activities from the Price Control in the AMP8 Period, which will serve to make it both unlawful and uneconomic to maintain cross subsidies;

- water supply licence (with wholesale authorisation) – when a water supply licensee introduces water into the supply system and supplies water to its customer's eligible premises (i.e. its non-household customer) using a Regulated Company's network (referred to as "common carriage"). All Regulated Companies maintain access codes which set out the conditions, including indicative access prices, under which licensees may introduce water into their networks. The sections of the WIA dealing with common carriage have been altered by the Water Act 2014, but those alterations have not yet been fully implemented;

- water supply licence (retail) – when a water supply licensee purchases wholesale supplies of water from the incumbent water undertaker and supplies water at the retail level to non-household premises. The water supply and sewerage licensing (**"WSSL"**) regime was introduced by the Water Act 2014. Regulated Companies publish a wholesale charges scheme detailing charges to be levied on retailers, who then compete for customers' business based on price and other terms;

- sewerage licence (retail) – when a sewerage licensee purchases sewerage services from the incumbent sewerage undertaker and provides sewerage services at the retail level from non-household premises. The sewerage licensing regime was introduced by the Water Act 2014 as part of the WSSL regime. 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;

- cross border supplies – 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;

- private suppliers or private sewers including on-site water and effluent treatment; and

- from 2020, emerging markets in water resources, bio-resources, leakage detection and demand management.

11.10 Customers' Interests

11.10.1 General

Ofwat is responsible for protecting the interests of customers. It monitors the performance and level of service of Regulated Companies and the implementation of a "guaranteed standards" scheme in respect of customer care. Condition G of Regulated Companies' licences, modified with effect from February 2024, require them to adopt high standards of customer service and appropriate support for the full diversity of their customers' needs. It requires companies to comply with the principles for customer care which are set out in the condition.

11.10.2 Guaranteed Standards

The Government's guaranteed standards scheme (the "**Guaranteed Standards Scheme**") is underpinned by regulations made under sections 38(2) to (4) and 95(2) to (4) and section 213 of the WIA, which prescribe standards of performance in connection with water supply and water recycling services in relation to matters such as the keeping of appointments with customers, dealing with enquiries and complaints from customers, giving notice of interruption of supply, installation of meters and flooding from sewers.

If a Regulated Company does not meet any of the prescribed standards, under the Guaranteed Standards Scheme, the customer is entitled to compensation, normally in the region of £40 for domestic customers and £40 or higher for business customers (although, in the case of sewer flooding, it can be up to £2,000). The availability of such compensation is in addition to the availability of any other remedy the customer may have. These sums were revised following review of the Guaranteed Standards Scheme ("**GSS**") regulations in July 2025.

The Water Act 2014 extended 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. The responsibility for funding payments to business customers will be shared between the retailer and the wholesaler, and will be made by the party that is at fault for the GSS Regulation failure. The standards are periodically updated, the latest of which was introduced in April 2017. The changes predominantly relate to updating compensation for interruptions to water supply.

The UK Government has introduced further new GSS standards in England which came into force on 1 October 2025. The new standards will compensate customers where companies took incorrect debt actions, were slow to install a meter, failed to read meters, failed to provide a promised service or support to a customer registered on the PSR or had to issue a 'boil' or 'do not drink' notice in the event of a water quality failure

11.10.3 Consumer Council for Water ("CCW")

The Consumer Council for Water ("**CCW**", formerly "**CC Water**") is a non-departmental public body whose role is to provide advice and represent consumers on water matters and sewerage, and to handle complaints made against Regulated Companies in England and Wales. The Water Act 2014 gave CCW some addition

responsibilities, which involve being consulted on developments in relation to the non-household retail market.

CCW consists of a national Council, known as the Board, and two regional Committees for England and for Wales respectively.

11.10.4 Code for Adoption Agreements

In its "Code for Adoption Agreements" (last updated October 2022), Ofwat required Regulated Companies operating mainly in England to agree, in consultation with customers, a standard set of arrangements to take the form of "Sector Guidance", setting out the procedure for entering into water and sewerage adoption agreements, and a "Model Adoption Agreement" setting out the contractual terms. Regulated Companies initially submitted sector guidance and a model adoption agreement for water infrastructure in January 2019 and for sewerage infrastructure in March 2019. The two Model Adoption Agreements have been subject to number of revisions.

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.

11.10.5 Proposed New Licence Conditions

Ofwat has announced its intention to introduce a licence condition which will require water companies to publish certain information about their operations in an open data format, where conditions regarding confidentiality, security, etc. are met. Informal discussions are being held with operators within the industry but formal consultation on changes has yet to be published.

Ofwat opened a consultation on a proposed Water Governance Code on 24 July 2026, with responses due by 10 September 2026.

On 20 May 2026, Ofwat proposed a new licence condition requiring water companies to demonstrate that their asset management systems are fit for purpose across the full infrastructure lifecycle (acquisition to disposal), with compliance evidenced via ISO certification or qualified independent third-party assessment. The consultation closed on 17 July 2026, and Ofwat plans to run a sector-wide Asset Management Maturity Assessment in 2026 to establish a baseline ahead of the licence condition's introduction; a final decision on the licence modification itself is still pending.

Ofwat is consulting on the additional expenditure allowances it proposes to allow companies in its 2026 cost change draft determinations following our assessment of their cost change claims. These additional allowances will enable companies to invest in PFAS removal, asset health, growth, large gated schemes, major projects and Havant Thicket. It also sets out the in-period revenue it proposes to allow and the regulatory capital value (RCV) adjustments it propose to recognise, and the timing of this.

11.11 Performance related executive pay prohibition rule

In June 2025, Ofwat published its decision to introduce a new rule to prohibit performance related executive pay (PRP) as part of new powers introduced by the WSMA which enable Ofwat to set rules about remuneration and governance.

The "PRP Prohibition Rule" is now in effect and applies to the largest companies holding an appointment as a water and/or sewerage undertaker under the WIA91. Ofwat have decided to implement a rule which requires water companies to prohibit the payment of PRP for the relevant year when they have:

• been found by Ofwat to have breached a principal statutory duty during the PRP year and where Ofwat made a final decision that the breach warranted a financial penalty or where they have failed to subsequently comply with an enforcement order or undertaking linked to the breach;

• been given a 1 star rating by the EA or Natural Resources Wales (NRW) as defined in Environmental Performance Assessment (EPA) for the calendar year finishing in the PRP year;

• had a category 1 pollution incident reported by environmental regulators in the EPA for the calendar year finishing in the PRP year;

• breached its licence requirement to hold sufficient credit ratings (in the PRP year) or has failed to subsequently comply with an enforcement order or undertaking linked to the licence breach; or

• received a sentence in the PRP year, following a conviction for a criminal offence, unless the court has made low culpability or harm findings against the company.

CHAPTER 12
LICENCE CONDITIONS – ANGLIAN WATER'S CONTROL OVER ITS OPERATIONS

12.1 Ring-fencing of the Regulated Business

As described in Chapter 5, "*Ring-fencing and the Anglian Water Services Financing Group*", under Condition P of its Licence, as supplemented by RAG 5, Anglian Water must ensure that transactions between it and its associated companies in the Anglian Water Group are on an arm's length basis, to prevent cross-subsidisation of activities.

As described in Chapter 5, "*Ring-fencing and the Anglian Water Services Financing Group*", although Anglian Water is a subsidiary of AWGL, it has its own duties as a Regulated Company. Anglian Water's Licence therefore requires Anglian Water, in conducting the regulated business, to behave as if it were substantially Anglian Water's sole business and Anglian Water were a separate public limited company.

There are further obligations and responsibilities set out in Condition P.

12.2 Maintenance of Comparisons with other Water and Water Recycling Undertakers

Ofwat considers that the performance of Anglian Water's regulated business should be transparent to regulators, customers and other water companies. Ofwat has stated that it will assess Anglian Water's performance in terms of efficiency and customer service in exactly the same way as for other Regulated Companies. Accordingly, as described in Chapter 5, "*Ring-fencing and the Anglian Water Services Financing Group*", Anglian Water publishes such information about its interim and annual financial results as would be required by the Listing Rules of the Financial Conduct Authority if Anglian Water's shares were listed on the London Stock Exchange.

12.3 The Role of AWGL as the Owner of Anglian Water

Condition P of Anglian Water's Licence includes a requirement for parent companies to give undertakings in favour of Anglian Water, as the appointee. The undertakings must ensure that the parent company provides to the appointee such information as is necessary to enable the appointee to comply with its obligations under the Water Industry Act 1991 and does not take any action which may cause the appointee to breach any of its obligations under the Water Industry Act 1991.

12.4 Procurement of Services

All Regulated Companies have the same statutory responsibilities for the proper discharge of their functions. Ofwat considers that any contracting-out of the day-to-day operations of Anglian Water's regulated business must not interfere with its continuing responsibilities as a Regulated Company.

In July 2020, Ofwat removed Condition F1 from Anglian Water's licence and, along with it, the requirement for Anglian Water to submit procurement plans and reports.

Ofwat requires that Anglian Water as the licence holder must be able to demonstrate that it has the capacity at all times to meet its statutory functions, and that it retains sufficient control over its operations to enable it to deliver uninterrupted service to customers.

CHAPTER 13
BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, CDS, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Bond Trustee or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Bond Trustee or any Dealer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("**Direct Participants**") include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Registered Bonds among Direct Participants on whose behalf it acts with respect to Bonds accepted into DTC's book-entry settlement system ("**DTC Bonds**") as described below and receives and transmits distributions of principal and interest on DTC Bonds. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Bonds ("**Owners**") have accounts with respect to the DTC Bonds similarly are required to make book- entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Bonds through Direct Participants or Indirect Participants will not possess Registered Bonds, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Bonds.

Purchases of DTC Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Bonds on DTC's records. The ownership interest of each actual purchaser of each DTC Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Bonds are to be accomplished by entries made on the books of Participants acting on

behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Bonds, except in the event that use of the book-entry system for the DTC Bonds is discontinued.

To facilitate subsequent transfers, all DTC Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Bonds, DTC will exchange the DTC Bonds for definitive Registered Bonds, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Bond, will be legended as set forth in Chapter 15, "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Bonds, will be required to withdraw its Registered Bonds from DTC as described below.

CDS

CDS was formed in November 2006 pursuant to the restructuring of The Canadian Depository for Securities Limited ("**CDS Ltd**"). CDS Ltd., founded in 1970, remains the holding company for CDS and two other operating subsidiaries and is Canada's national securities clearing and depository services organisation. Functioning as a services utility for the Canadian financial community, CDS provides a variety of computer-automated services for financial institutions and investment dealers active in domestic and international capital markets.

CDS participants include banks, investment dealers and trust companies. Indirect access to CDS is available to other organisations that clear through or maintain a custodial relationship with a CDS participant. Transfers of

ownership and other interests, including cash distributions, in Bonds in CDS may only be processed through CDS participants and will be completed in accordance with existing CDS rules and procedures. CDS operates in Montreal, Toronto, Calgary and Vancouver to centralise securities clearing functions through a central securities depository.

CDS is wholly owned by CDS Ltd., a subsidiary of TMX Group Limited. CDS is the exclusive clearing house for equity trading on the Toronto Stock Exchange and also clears a substantial volume of "over the counter" trading in equities and bonds.

Global Clearance and Settlement Procedures

Initial settlement for the Bonds in CDS will be made in immediately available Canadian dollar funds.

Beneficial interests in the Bonds will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in CDS.

Links have been established among CDS, DTC, Clearstream, Luxembourg and Euroclear to facilitate the initial issuance of the Bonds and cross-market transfers of the Bonds associated with secondary market trading. Investors may elect to hold interests in the Bonds directly through any of CDS (in Canada), DTC (in the United States) or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of such systems, or indirectly through organisations which are participants in such systems. DTC will hold interests on behalf of its participants directly through its account with CDS. Clearstream, Luxembourg and Euroclear will hold interests in the Bonds on behalf of their participants through customers' securities accounts in their respective names on the books of their respective Canadian subcustodians, each of which is a Canadian Schedule I chartered bank ("**Canadian Subcustodians**"), which in turn will hold such interests in customers' securities accounts in the names of the Canadian Subcustodians on the books of CDS.

CDS will be directly linked to DTC. CDS will be linked to Euroclear and Clearstream, Luxembourg through the CDS accounts of the respective Canadian Subcustodians of Clearstream and Euroclear.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

Book-entry Ownership of and Payments in Respect of DTC Bonds

The Issuer may apply to DTC in order to have any Tranche of Bonds represented by a Registered Global Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Bond, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of

beneficial interests in a Registered Global Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Bond. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Bonds to DTC is the responsibility of the Issuer.

Transfers of Bonds Represented by Registered Global Bonds

Transfers of any interests in Bonds represented by a Registered Global Bond within DTC, CDS, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some states within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Bonds represented by a Registered Global Bond to such persons may depend upon the ability to exchange such Bonds for Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Bonds represented by a Registered Global Bond accepted by DTC to pledge such Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Bonds may depend upon the ability to exchange such Bonds for Bonds in definitive form. The ability of any holder of Bonds represented by a Registered Global Bond accepted by DTC to resell, pledge or otherwise transfer such Bonds may be impaired if the proposed transferee of such Bonds is not eligible to hold such Bonds through a Direct Participant or Indirect Participant in the DTC or CDS system.

Subject to compliance with the transfer restrictions applicable to the Registered Bonds described in Chapter 15 under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through CDS accountholders, Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Fiscal Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Bonds have been deposited.

On or after the Issue Date for any Series, transfers of Bonds of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Bonds of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Bonds will be effected through the Registrar, the Fiscal Agent and the Custodian

receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

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

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

Cross-market transfers between Clearstream, Luxembourg participants, Euroclear participants and DTC participants will be effected in CDS.

DTC, CDS, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Bonds among participants and accountholders of DTC, CDS, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Obligors, the Bond Trustee, the Agents or any Dealer will be responsible for any performance by DTC, CDS, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Bonds represented by Registered Global Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

CHAPTER 14
TAXATION

Tax legislation, including in the country where the investor is domiciled or tax resident and in the Issuer's country of incorporation, may have an impact on the income that an investor receives from the Bonds.

14.1 UNITED KINGDOM TAXATION

The following is a general summary of the United Kingdom withholding taxation treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Bonds and the Guarantee. These comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of (including redeeming) Bonds. They relate only to the position of persons who are absolute beneficial owners of the Bonds. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Bonds). Prospective purchasers of Bonds should be aware that the particular terms of issue of any Series of Bonds as specified in the applicable Final Terms may affect the tax treatment of that and other Series of Bonds. This summary as it applies to United Kingdom taxation is based upon United Kingdom tax law as applied in England and Wales and HM Revenue & Customs' published practice (which may not be binding on HM Revenue & Customs) in each case, in effect on the date of this Prospectus and is subject to any change in law or practice that may take effect after such date (including with retrospective effect).

Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of 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 United Kingdom taxation aspects of payments in respect of the Bonds and the Guarantee. 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 or the Guarantee even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Prospective purchasers who are in any doubt as to their tax position should consult their professional advisers.

14.1.1 Payment of Interest by the Issuer

Interest on Bonds which are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the United Kingdom Income Tax Act 2007, or admitted to trading on a "multilateral trading facility" operated by a UK, Gibraltar or EEA regulated recognised stock exchange, within the meaning of section 987 and section 1005 of the United Kingdom Income Tax Act 2007, in each case for the purposes of section 987 of the United Kingdom Income Tax Act 2007 may be paid without withholding or deduction for or on account of United Kingdom income tax ("**United Kingdom withholding tax**"). The London Stock Exchange is such a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List of the FCA within the meaning of, and in accordance with, the provisions of Part 6 of the FSMA and are admitted to trading on the London Stock Exchange. Current HMRC guidance is that securities listed on the Main Market (excluding the High Growth Segment) of the London Stock Exchange satisfies this requirement.

Interest on Bonds may also be paid without deduction of United Kingdom withholding tax where the maturity of the Bonds is less than 365 days and those Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, interest on the Bonds which has a United Kingdom source will generally be paid by the Issuer under deduction of United Kingdom income tax (currently 20 per cent. and increasing to 22 per cent. for payments made on or after 6 April 2027), subject to the availability of other reliefs which may apply or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

Unless Bonds specified in the applicable Final Terms are USPP Bonds (in which regard, please refer to the paragraph headed 'Taxation' in Chapter 2 "*Overview of the Programme*" and Condition 10(b) of Chapter 8, "*Terms and Conditions of the Bonds*"), if United Kingdom withholding tax is imposed on payments of interest on the Bonds, then the Issuer will not pay any additional amounts in respect of such withholding.

14.1.2 Payments in respect of the Guarantee

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) is uncertain. Such payments may be paid under deduction of United Kingdom income tax (either at the basic rate of 20 per cent. or potentially (on or after 6 April 2027 only) at the savings basic rate (which will be 22 per cent. from such date)), subject to the availability of other reliefs or to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. The exemptions outlined in paragraph 14.1.1 (*Payment of Interest by the Issuer*) above may not apply to such payments by a Guarantor.

14.2 UNITED STATES FEDERAL INCOME TAXATION

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Bonds by a U.S. Holder (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Bond which may be issued under the Programme, and the applicable Final Terms may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Bond as appropriate. Without limiting the foregoing, this summary does not address the material U.S. federal income tax consequences relevant to Index Linked Bonds or Dual Currency Bonds. This summary deals only with purchasers of Bonds that are U.S. Holders and that will hold the Bonds as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Bonds by particular investors (including consequences under the alternative minimum tax, the Medicare tax on net investment income, or rules regarding accrual basis taxpayers requiring the recognition of income in conformity with certain financial statements), and does not address state, local, non-U.S. or other tax laws. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Bonds as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Bonds in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad

or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Bonds with a term of 30 years or less. The following summary assumes the Bonds are properly treated as debt for U.S. federal income tax purposes.

*As used herein, the term "**U.S. Holder**" means a beneficial owner of Bonds that is, for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States, any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.*

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Bonds will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax adviser concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Bonds by the partnership.

*The summary is based on the tax laws of the United States including the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the United Kingdom (the "**Treaty**") all as of the date hereof and all subject to change at any time, possibly with retroactive effect.*

Bearer Bonds are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Bond may be subject to limitations under U.S. income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE BONDS, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

14.2.1 Payments of Interest

(i) **General**

Interest on a Bond, whether payable in U.S. dollars or a currency other than U.S. dollars (a "**foreign currency**"), other than interest on a "Discount Bond" that is not "qualified stated interest" (each as defined below under "*Original Issue Discount – General*"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes, reduced by the allocable amount of amortisable bond premium, subject to the discussion below. Interest paid by the Issuer on the Bonds and original issue discount ("**OID**"), if any, accrued with respect to the Bonds (as described below under "*Original Issue Discount*") generally will constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and the source of income rules to income attributable to the Bonds.

If a portion of the price paid for a Bond is attributable to an amount of interest accrued prior to the date the Bond is issued (the "**pre-issuance accrued interest**"), a portion of the first interest payment on the Bond equal to the amount of the pre-issuance accrued interest may be treated as a nontaxable return of the pre-issuance accrued interest. This discussion assumes that the first interest payment on Bonds with pre-issuance accrued interest will be so treated, and references to interest in the remainder of this discussion exclude pre-issuance accrued interest. This discussion assumes that in determining the issue price of a Bond, there will be excluded an amount equal to the pre-issuance accrued interest. Pre-issuance accrued interest not included in income should not form part of any amortisable bond premium (as described below under "*Bonds Purchased at a Premium*"). A U.S. Holder's tax basis in a Bond will be reduced by any nontaxable return of pre-issuance accrued interest. This discussion does not otherwise address the treatment of pre-issuance accrued interest, and U.S. Holders should consult their tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest, including regarding the potential recognition of exchange gain or loss with respect return of pre-issuance accrued interest on foreign currency Bonds.

(ii) **United Kingdom Withholding Taxes**

As discussed in Chapter 14, "*Taxation*", interest on Bonds which are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the United Kingdom Income Tax Act 2007, such as the London Stock Exchange, may be paid without withholding or deduction for or on account of United Kingdom income tax. A U.S. Holder of a Bond that is not listed on a recognised stock exchange, and is therefore not eligible for exemption from United Kingdom withholding tax, will nonetheless not be subject to United Kingdom withholding tax if, pursuant to the Treaty, HM Revenue & Customs issues a direction to the Issuer to pay interest to the U.S. Holder without deduction of tax. In addition, as described in Chapter 14, "*Taxation*", the United Kingdom tax treatment of payments in respect to the Guarantee is uncertain, and such payments may also be subject to United Kingdom withholding tax (subject to any available Treaty relief). Prospective purchasers should consult their tax advisers concerning the foreign tax credit and other U.S. federal income tax implications of the payment of these United Kingdom taxes.

14.2.2 Original Issue Discount

(i) **General**

A Bond, other than a Bond with a term of one year or less (a "**Short-Term Bond**"), will be treated as issued with OID (a "**Discount Bond**") if the excess of the Bond's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Bond if the excess of the Bond's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Bond's stated redemption price at maturity multiplied by the weighted average maturity of the Bond. A Bond's weighted average maturity is the sum of the following amounts determined for each payment on a Bond (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Bond's stated redemption price at maturity. Generally, the issue price of a Bond will be the first price at which a substantial amount of

Bonds included in the issue of which the Bond is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Bond is the total of all payments provided by the Bond that are not payments of "qualified stated interest". A qualified stated interest payment is generally any one of a series of stated interest payments on a Bond that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*Variable Interest Rate Bonds*"), applied to the outstanding principal amount of the Bond.

Solely for the purposes of determining whether a Bond has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Bond, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Bond. If it was deemed that any call or put option would be exercised but is not in fact exercised, the Bond would be treated solely for purposes of calculating OID as if it were redeemed, and a new Bond were issued, on the presumed exercise date for an amount equal to the Bond's adjusted issue price on that date.

U.S. Holders of Discount Bonds must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Bonds. The amount of OID includible in income by a U.S. Holder of a Discount Bond is the sum of the daily portions of OID with respect to the Discount Bond for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Bond ("**accrued OID**"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Discount Bond may be of any length selected by the U.S. Holder and may vary in length over the term of the Bond as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Bond occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Bond's adjusted issue price at the beginning of the accrual period and the Discount Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Bond allocable to the accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the issue price of the Bond increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Bond that were not qualified stated interest payments.

(ii) **Acquisition Premium**

A U.S. Holder that purchases a Discount Bond for an amount less than or equal to the sum of all amounts payable on the Bond after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**") and that does not make the election described below under "*Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Bond immediately after its purchase over the Bond's adjusted issue price, and the denominator of

which is the excess of the sum of all amounts payable on the Bond after the purchase date, other than payments of qualified stated interest, over the Bond's adjusted issue price.

(iii) **Market Discount**

A Bond, other than a Short-Term Bond, generally will be treated as purchased at a market discount (a "**Market Discount Bond**") if the Bond's stated redemption price at maturity or, in the case of a Discount Bond, the Bond's "revised issue price" exceeds the amount for which the U.S. Holder purchased the Bond by at least 0.25 per cent. of the Bond's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Bond's maturity (or, in the case of a Bond that is an instalment obligation, the Bond's weighted average maturity). If this excess is not sufficient to cause the Bond to be a Market Discount Bond, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Discount Bond generally equals its issue price, increased by the amount of any OID that has accrued on the Bond and decreased by the amount of any payments previously made on the Bond that were not qualified stated interest payments. Additionally, for this purpose the "stated redemption price at maturity" (as defined above) is decreased by the amount of any payments previously made on the Bond that were not qualified stated interest.

Any gain recognised on the sale or retirement of a Market Discount Bond (including any payment on a Bond that is not qualified stated interest) generally will be treated as ordinary income to the extent of the accrued market discount on the Bond. Alternatively, a U.S. Holder of a Market Discount Bond may avoid such treatment by electing to include market discount in income currently over the life of the Bond. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the U.S. Internal Revenue Service (the "**IRS**").

A U.S. Holder of a Market Discount Bond that does not elect to include market discount in income currently may be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Bond. Such interest is deductible when paid or incurred to the extent of income from the Market Discount Bond for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that it exceeds the portion of the market discount allocable to the days on which the Market Discount Bond was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Bond with respect to which it is made and is irrevocable.

(iv) **Election to Treat All Interest as Original Issue Discount**

A U.S. Holder may elect to include in gross income all interest that accrues on a Bond using the constant-yield method described above under "*Original Issue Discount – General*" with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described below under "*Bonds Purchased at a Premium*") or acquisition premium. This election will generally apply only to the Bond with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Bond is made with respect to a Market

Discount Bond, the electing U.S. Holder will be treated as having made the election discussed above under "*Market Discount*" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

(v) **Variable Interest Rate Bonds**

Bonds that provide for interest at variable rates ("**Variable Interest Rate Bonds**") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Bond will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Bond by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "**qualified floating rate**" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Bond is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Bond (e.g., two or more qualified floating rates with values within 0.25 per cent. of each other as determined on the Variable Interest Rate Bond's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Bond.

Under applicable U.S. Treasury regulations, Bonds referencing an IBOR that are treated as having a qualified floating rate for purposes of the above will not fail to be so treated merely because the terms of the Bonds provide for a replacement of the IBOR in the case of a Benchmark Event. In particular, under the regulations, the IBOR referencing rate and the replacement rate are treated as a single qualified rate.

An "**objective rate**" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Bond will not

constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Bond's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Bond's term. A "**qualified inverse floating rate**" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Bond provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Bond's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 0.25 per cent.), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "**current value**" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Bond that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Bond which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Bond that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Bond is issued at a "true" discount (i.e., at a price below the Bond's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Bond arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Bond.

In general, any other Variable Interest Rate Bond that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Bond. Such a Variable Interest Rate Bond must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Bond with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Bond's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Bond is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Bond. In the case of a Variable Interest Rate Bond that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially

converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Bond provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Bond as of the Variable Interest Rate Bond's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Bond is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Bond is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Bond will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Bond during the accrual period.

If a Variable Interest Rate Bond, such as a Bond the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Bond will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Bonds that are treated as contingent payment debt obligations are addressed below under "*U.S. Dollar Contingent Bonds*".

(vi) **Short-Term Bonds**

In general, an individual or other cash basis U.S. Holder of a Short-Term Bond is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Bonds on a straight- line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Bond will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Bonds will be required to defer deductions for interest on borrowings allocable to Short-Term Bonds in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Bond are included in the Short-Term Bond's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Bond as if the Short- Term Bond had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Bond. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

(vii) **Fungible Issue**

As described under "*Terms and Conditions of the Bonds—Further Issues*", the Issuer may issue further Bonds with identical terms and without the consent of the holders of outstanding Bonds, if certain contractual restrictions on additional debt are satisfied. These further Bonds may in some cases be treated as part of a separate issue for U.S. federal income tax purposes, even if they are treated for non-tax purposes as part of the same series as outstanding Bonds. In such a case, the additional Bonds may be considered to have been issued with OID even if the outstanding Bonds of the same series had no OID, or the additional Bonds may have a greater amount of OID than the outstanding Bonds. Purchasers of bonds of such series after any such further issue may not be able to differentiate between additional bonds and the outstanding Bonds and, therefore, among other things, such further issue could (i) require purchasers of bonds of such series to accrue OID (or greater amounts of OID than they would have otherwise accrued) with respect to their bonds, (ii) affect the application of FATCA withholding with respect to all bonds in such series, and these differences may affect the market value of the outstanding Bonds if the additional Bonds are not otherwise distinguishable from the original Bonds.

(viii) **U.S. Dollar Contingent Bonds**

Certain Series or Tranches of Bonds (including, for the avoidance of doubt, Bonds in which the applicable Final Terms indicates that the Step Up Option is available) may be treated as contingent payment debt instruments ("**Contingent Bonds**") for U.S. federal income tax purposes. Under applicable U.S. Treasury regulations, interest on the Contingent Bonds will be treated as OID and must be accrued on a constant-yield basis based on a yield to maturity that reflects the rate at which the Issuer would issue a comparable fixed-rate non-exchangeable instrument (the "**comparable yield**"), in accordance with a projected payment schedule. This projected payment schedule must include each non-contingent payment on the Contingent Bond and an estimated amount for each contingent payment, and must produce the comparable yield. Interest inclusions will be adjusted upward and downward to reflect the difference, if any, between the actual payments received and the projected amount of such payments on the Contingent Bonds under the projected payment schedule. Special rules apply to the sale or other disposition of a Contingent Bond. The applicable Final Terms or any Prospectus or Series Prospectus will indicate the Issuer's intention to treat a particular Series or Tranche of Bonds as Contingent Bonds.

The Issuer is required to provide to holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments on Contingent Bonds. This schedule must produce the comparable yield. The applicable Final Terms or any Prospectus or Series Prospectus may contain the comparable yield and projected payment schedule; otherwise a U.S. Holder of a Contingent Bond can submit a written request for the schedule to the attention of the Issuer, unless the applicable Final Terms or any Prospectus or Series Prospectus provides a different address for submitting requests for this information.

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE WILL NOT BE DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF CONTINGENT BONDS FOR U.S. FEDERAL INCOME TAX PURPOSES AND WILL NOT CONSTITUTE A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO THE HOLDERS OF THE BONDS.

The use of the comparable yield and the calculation of the projected payment schedule will be based upon a number of assumptions and estimates and will not be a prediction, representation or guarantee of the actual amounts of interest that may be paid to a U.S. Holder or the actual yield of the Contingent Bonds. A U.S. Holder will generally be bound by the comparable yield and the projected payment schedule determined by the Issuer unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly discloses such schedule to the IRS, and explains to the IRS the reason for preparing its own schedule. The Issuer's determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

A U.S. Holder of a Contingent Bond will generally be required to include OID in income pursuant to the rules discussed in the fourth paragraph under "*Original Issue Discount — General*", above. For these purposes, the "**adjusted issue price**" of a Contingent Bond at the beginning of any accrual period is the issue price of the Bond increased by the amount of accrued OID for each prior accrual period, and decreased by the projected amount of any payments made on the Bond. No additional income will be recognised upon the receipt of payments of stated interest in amounts equal to the annual payments included in the projected payment schedule described above. Any differences between actual payments received by the U.S. Holder on the Contingent Bonds in a taxable year and the projected amount of those payments will be accounted for as additional interest (in the case of a positive adjustment) or as an offset to interest income in respect of the Bond (in the case of a negative adjustment), for the taxable year in which the actual payment is made. If the negative adjustment for any taxable year exceeds the amount of OID on the Contingent Bond for that year, the excess will be treated as an ordinary loss, but only to the extent the U.S. Holder's total OID inclusions on the Bond exceed the total amount of any ordinary loss in respect of the Bond claimed by the U.S. Holder under this rule in prior taxable years. Any negative adjustment that is not allowed as an ordinary loss for the taxable year is carried forward to the next taxable year, and is taken into account in determining whether the U.S. Holder has a net positive or negative adjustment for that year. However, any negative adjustment that is carried forward to a taxable year in which the Contingent Bond is sold, exchanged or retired, to the extent not applied to OID accrued for such year, reduces the U.S. Holder's amount realised on the sale, exchange or retirement.

If a U.S. Holder purchases a Contingent Bond for an amount that differs from the Bond's adjusted issue price at the time of the purchase, such U.S. Holder must determine the extent to which the difference between the price it paid for the Bond and the adjusted issue price of the Bond is attributable to a change in expectations as to the projected payment schedule, a change in interest rates, or both, and reasonably allocate the difference accordingly. A safe-harbour may apply to permit the allocation of this difference pro rata to OID accruals if the Contingent Bond is exchange listed property, as defined in applicable U.S. Treasury regulations.

If a U.S. Holder purchases a Contingent Bond for an amount that is less than the adjusted issue price of the Bond, the amount of the difference allocated to a daily portion of OID or to a projected payment is treated as a positive adjustment to such Holder's income inclusion on the date the OID accrues or the payment is made. If a U.S. Holder purchases a Contingent Bond for an amount that is more than the adjusted issue price of the Bond, the amount of the difference allocated to a daily portion of OID or to a projected payment is treated as a negative

adjustment to such U.S. Holder's income inclusion on the date the OID accrues or the payment is made.

Because any Form 1099-OID that a U.S. Holder receives will not reflect the effects of positive or negative adjustments resulting from its purchase of a Contingent Bond at a price other than the adjusted issue price determined for tax purposes, U.S. Holders are urged to consult with their tax advisers as to whether and how adjustments should be made to the amounts reported on any Form 1099-OID.

14.2.3 Bonds Purchased at a Premium

A U.S. Holder that purchases a Bond for an amount in excess of its principal amount or, for a Discount Bond, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Bond will be reduced by the amount of amortisable bond premium allocable (based on the Bond's yield to maturity) to that year. Special rules may limit the amortisation of bond premium with respect to Bonds subject to early redemption. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "*Original Issue Discount – Election to Treat All Interest as Original Issue Discount*".

14.2.4 Substitution of the Issuer

The terms of the Bonds provide that, in certain circumstances, the obligations of the Issuer under the Bonds may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of the Bonds by a U.S. Holder in exchange for new bonds issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new bonds (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Bonds. In addition, any such new bonds may be treated as issued with OID. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Bonds.

14.2.5 Purchase, Sale and Retirement of Bonds

(i) General

A U.S. Holder will generally recognise gain or loss on the sale or retirement of a Bond equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Bond. A U.S. Holder's adjusted tax basis in a Bond generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Bond and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Bond, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the Bond. The amount realised does not include the amount attributable to accrued but unpaid interest (and any additional amounts paid with respect thereto), which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*Original Issue Discount – Market Discount*" or "*Original Issue Discount – Short-*

Term Bonds" or attributable to changes in exchange rates (as discussed below), gain or loss recognised on the sale or retirement of a Bond will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Bonds exceeds one year. Gain or loss realised by a U.S. Holder on the sale or retirement of a Bond generally will be U.S. source. Prospective purchasers should consult their tax advisers regarding the U.S. federal income tax implications (including creditability, deductibility and determination of amount realized) if any non-US taxes are imposed on disposition gains in their particular circumstances.

(ii) Contingent Bonds

Gain from the sale or retirement of a Contingent Bond will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total interest inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Gain or loss realised by a U.S. Holder on the sale or retirement of a Contingent Bond will generally be foreign source.

A U.S. Holder's tax basis in a Contingent Bond will generally be equal to its cost, increased by the amount of interest previously accrued with respect to the Bond (determined without regard to any positive or negative adjustments reflecting the difference between actual payments and projected payments), increased or decreased by the amount of any positive or negative adjustment that the Holder is required to make to account for the difference between the Holder's purchase price for the Bond and the adjusted issue price of the Bond at the time of the purchase, and decreased by the amount of any projected payments scheduled to be made on the Bond to the U.S. Holder through such date (without regard to the actual amount paid).

14.2.6 Foreign Currency Bonds

(i) **Interest**

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year).

Under the second method, the accrual basis U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to

which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Bond) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

(ii) **OID**

OID for each accrual period on a Discount Bond that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Discount Bond or a sale of the Discount Bond), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

(iii) **Market Discount**

Market discount on a Market Discount Bond that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the sale or retirement of the Market Discount Bond, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

(iv) **Bond Premium**

Bond premium (including acquisition premium) on a Bond that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency. On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Bonds were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Bond matures.

(v) **Sale or Retirement**

As discussed above under "*Purchase, Sale and Retirement of Bonds*", a U.S. Holder will generally recognise gain or loss on the sale or retirement of a Bond equal to the difference

between the amount realised on the sale or retirement and its adjusted tax basis in the Bond, in each case as determined in U.S. dollars. U.S. Holders should consult their own tax advisers about how to account for proceeds received on the sale or retirement of Bonds that are not paid in U.S. dollars.

A U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Bond equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Bond (as adjusted for amortized bond premium, if any) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Bond. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement.

(vi) **Disposition of Foreign Currency**

Foreign currency received as interest on a Bond or on the sale or retirement of a Bond will have a tax basis equal to its U.S. dollar value at the time the interest is received or on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase Bonds or upon an exchange for U.S. dollars) will be U.S. source ordinary income or loss.

14.2.7 Backup Withholding and Information Reporting

In general, payments of principal, interest and accruals of OID on, and the proceeds of a sale, retirement or other disposition of, the Bonds, by a U.S. or U.S.-connected paying agent or other U.S. or U.S.-connected intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

14.2.8 Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, if the Bonds are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Bonds as a reportable transaction if the loss exceeds the relevant threshold in the regulations (U.S. $50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S. $10,000 in the case of a natural person and U.S. $50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

14.2.9 Foreign Financial Asset Reporting

U.S. Holders are subject to reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds U.S. $50,000 at the end of the taxable year or U.S. $75,000 at any time during the taxable year. The thresholds are

higher for individuals living outside of the United States and married couples filing jointly. The Bonds are expected to constitute foreign financial assets subject to these requirements unless the Bonds are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of this legislation.

14.2.10 FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as "FATCA", a "foreign financial institution" (including an intermediary through which Bonds are held) may be required to withhold at a rate of 30 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 United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in such 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 that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Bonds 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). 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 will be required to pay additional amounts as a result of the withholding.

CHAPTER 15
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the "**Programme Agreement**") dated 23 July 2002 as amended or supplemented from time to time, agreed with the Obligors a basis upon which they or any of them may from time to time agree to purchase Bonds. Any such agreement will extend to those matters stated under Chapter 7, "*Form of the Bonds*" and Chapter 8, "*Terms and Conditions of the Bonds*". In the Programme Agreement, each of the Obligors has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Bonds under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Bonds, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Bonds during and after the offering of the Tranche. Specifically such persons may over-allot (provided that, in the case of any Tranche of Bonds to be admitted to trading on the Market, the aggregate principal amount of Bonds allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Tranche) or create a short position in the Bonds for their own account by selling more Bonds than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Bonds in the open market. In addition, such persons may stabilise or maintain the price of the Bonds by bidding for or purchasing Bonds in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Bonds are reclaimed if Bonds previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Bonds to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations permitted stabilising activities may only be carried on by the Stabilising Manager named in the applicable Final Terms or any agent of his 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.

15.1 Transfer Restrictions

As a result of the following restrictions, purchasers of Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Bonds.

Rule 144A Global Bonds

Each purchaser of Rule 144A Global Bonds or person wishing to transfer an interest from one Rule 144A Global Bond to another will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that it is a QIB, purchasing (or holding) the Bonds for its own account or for the account of one or more QIBs and it is aware, and each beneficial owner of the Bonds has been advised, that any sale of such Bonds to it is being made in reliance on Rule 144A;

(b) that the Bonds and the guarantees in respect thereof are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that 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 may not be offered or sold except as set forth below;

(c) that if in the future it decides to reoffer, resell, pledge or otherwise transfer the Bonds or any beneficial interests in the Bonds, it will do so, prior to (x) the date which is one year (or such shorter period of time as permitted by Rule 144 under the Securities Act or any successor provision thereunder) after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Bonds or (y) such later date, if any, as may be required by applicable law, only (a) to the Issuer or any affiliate thereof, (b) for so long as the Bonds are eligible for resale pursuant to Rule 144A, inside the United States to a person whom the seller or any person acting for the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB to whom it gives notice that the transfer is being made in reliance on Rule 144A, (c) in an offshore transaction in compliance with Rule 903 or Rule 904 of Regulation S, (d) pursuant to any other exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each of the foregoing cases in accordance with any applicable state securities laws;

(d) it will, and will require each subsequent holder to, notify any purchaser of the Bonds from it of the resale restrictions referred to in paragraph (c) above, if then applicable;

(e) that Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Bonds and before an interest in a Rule 144A Global Bond may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Bond, it will be required to provide the Transfer Agent with a written certification as to compliance with applicable securities laws;

(f) that the Rule 144A Global Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY 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, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, (X) PRIOR TO THE DATE WHICH IS ONE YEAR (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144 UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREOF) AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OR (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW, OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) FOR SO LONG AS THE BONDS ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING FOR THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM

THE SELLER GIVES NOTICE THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S, (4) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF THE FOREGOING CASES IN ACCORDANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."; and

(g) that the Issuer, the Registrar, the Dealers and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Bonds as a fiduciary or agent for one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Regulation S Global Bonds

Each purchaser of Regulation S Global Bonds in offshore transactions pursuant to Regulation S and each subsequent purchaser of such Bonds in resales prior to the expiration of the distribution compliance period (defined as 40 days after the completion of the distribution of all the Bonds of the tranche of which such Bonds form a part), by accepting delivery of this Prospectus and the Bonds, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Bonds are purchased will be, the beneficial owner of such Bonds and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(2) 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 or otherwise transfer such Bonds except in an offshore transaction in compliance with Rule 903 or Rule 904 under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that such Bonds, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following effect:

"THIS BOND AND THE GUARANTEES IN RESPECT THEREOF 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, ASSIGNED, PLEDGED, TRANSFERRED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE BONDS OF THE TRANCHE OF WHICH THIS BOND FORMS PART."

(4) 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.

(5) It understands that the Bonds offered in reliance on Regulation S will be represented by the Regulation S Global Bond. Before any interest in the Rule 144A Global Bond may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Bond, it will be required to provide a Transfer Agent with a written certification as to compliance with applicable securities laws.

Definitive IAI Registered Bonds

Institutional Accredited Investors who purchase Registered Bonds in definitive form offered and sold in the United States are required to execute and deliver to the Registrar an IAI Investment Letter, except as otherwise specified in the applicable Final Terms. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Bonds will be issued in definitive registered form, see Chapter 7, "*Form of the Bonds*".

The IAI Investment Letter will state, among other things, the following:

(a) that the Institutional Accredited Investor has received a copy of the Prospectus and such other information as it deems necessary in order to make its investment decision;

(b) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Bonds, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time;

(c) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Bonds and that the Institutional Accredited Investor is acquiring the Bonds purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion over and not with a view to any distribution of the Bonds, subject, nevertheless, to the understanding that the disposition of its property shall at all times be and remain within its control;

(d) that the Bonds and the guarantees in respect thereof are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and

that the Bonds and the guarantees in respect thereof have not been and will not be registered under the Securities Act or any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold except as set forth below;

(e) that if in the future it decides to reoffer, resell, pledge or otherwise transfer the Bonds or any beneficial interests in the Bonds, it will do so only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller or any person acting for the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) in an offshore transaction in compliance with Rule 903 or Rule 904 under the Securities Act, (d) to another Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee, (e) pursuant to any other exemption from registration provided under the Securities Act (if available) or (f) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(f) it will, and will require each subsequent holder to, notify any purchaser of the Bonds from it of the resale restrictions referred to in paragraph (e) above, if then applicable;

(g) that Bonds offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Bonds;

(h) that the Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY 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, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (B) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING FOR THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) TO ANOTHER INSTITUTIONAL ACCREDITED INVESTOR, SUBJECT TO DELIVERY TO THE REGISTRAR OF A TRANSFER CERTIFICATE TO THE EFFECT THAT SUCH TRANSFER IS BEING MADE TO AN INSTITUTIONAL ACCREDITED INVESTOR, TOGETHER WITH A DULY EXECUTED IAI INVESTMENT LETTER FROM THE RELEVANT TRANSFEREE; (5) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OR ANY OTHER JURISDICTION OF

THE UNITED STATES; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(i) that, in the event that the Institutional Accredited Investor purchases Bonds, it will acquire Bonds having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another Specified Currency); and

(j) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Bonds in the United States to any one purchaser will be for less than U.S. $100,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S. $500,000 (or its foreign currency equivalent) principal amount and no Legended Bond will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$100,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount of Registered Bonds.

15.2 Selling Restrictions

15.2.1 United States

The Bonds and the guarantees in respect thereof have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S.

The Bonds in bearer form 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. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and regulations promulgated thereunder.

In connection with any Bonds which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("**Regulation S Bonds**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell or in the case of bearer bonds, deliver such Regulation S Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, of all Bonds of the Tranche of which such Regulation S Bonds are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Regulation S Bonds during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S.

Each Dealer further represents and agrees that it has not and will not enter into any contractual arrangement with any distributor with respect to the distribution of the Bonds, except with its affiliates or with the prior written consent of the Issuer.

In addition, until 40 days after the commencement of the offering of any Series of Bonds, an offer or sale of such Bonds within the United States by any dealer (whether or not it is 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 Rule 144A or an available exemption from registration under the Securities Act.

Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Bonds to QIBs pursuant to Rule 144A and each such purchaser of Bonds is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Bonds which may be purchased by a QIB pursuant to Rule 144A is U.S. $100,000 (or the approximate equivalent thereof in any other currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer and each of the Obligors have agreed to furnish to holders of Bonds and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

The Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Bonds outside the United States and for the resale of the Bonds in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Bonds, in whole or in part, for any reason. The Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of the Base Prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, 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, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

Each issuance of Index Linked Bonds or Dual Currency Bonds shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Bonds, which additional selling restrictions shall be set out in the applicable Final Terms. Each Dealer agrees that it shall offer, sell and deliver such Bonds only in compliance with such additional U.S. selling restrictions.

15.2.2 Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

15.2.3 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, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or both) of the following:

(i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or

(ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to buy or subscribe for the Bonds.

15.2.4 United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that

(a) it has not made and will not make an offer of Bonds which are the subject of this Prospectus as completed by the Final Terms in relation thereto to the public in the United Kingdom except that it may make an offer of Bonds to the public in the United Kingdom:

1. at any time to any legal entity which is a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs;

2. at any time to fewer than 150 persons (other than qualified investors as defined in paragraph 15 of Schedule 1 to the POATRs) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;

3. at any time if the denomination per Bond being offered amounts to at least GBP50,000 (or equivalent); or

4. at any time in any other circumstances falling within Part 1 of Schedule 1 to the POATRs.

For the purposes of this provision, the expression "an offer of Bonds to the public" in relation to any Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to buy or subscribe for the Bonds;

(b) in relation to any Bonds which have a maturity of less than one year from the date of issue, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Obligors; and

(d) 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.

15.2.5 Belgium

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Bonds may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Bonds, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular,

brochure or any similar documents in relation to the Bonds, directly or indirectly, to any Belgian Consumer.

15.2.6 Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws, regulations and ministerial guidelines of Japan.

15.2.7 Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia) ("**Corporations Act**") in relation to the Programme or any Bonds has been, or will be, lodged with the Australian Securities and Investments Commission ("**ASIC**").

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it:

(a) has not (directly or indirectly) offered, and will not offer for issue or sale and has not invited, and will not invite, applications for issue, or offers to purchase, the Bonds in, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any offering circular or any other offering material or advertisement relating to the Bonds in Australia,

unless:

(i) the aggregate consideration payable by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act;

(ii) such action complies with all applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act);

(iii) such action does not require any document to be lodged with ASIC; and

(iv) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act.

15.2.8 Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base 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 Base 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.

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be 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 Base 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, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Unless otherwise stated in the Final Terms (or Pricing Supplement in the case of Exempt Bonds) in respect of any Bonds issued or to be issued under the Programme, all Bonds issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

15.2.9 Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Bonds described herein. The offering of Bonds in Switzerland will be exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act of 15 June 2018, as amended (the "**FinSA**") to the extent that the Bonds have a minimum denomination of CHF 100,000 (or equivalent in another currency) or more and the Bonds will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. The Bonds may not be publicly offered directly or indirectly, in Switzerland within the meaning of the FinSA and no application has or will be made to admit the Bonds to trading or any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Prospectus nor any other offering or marketing material relating

to the Bonds constitutes a prospectus pursuant to the FinSA, and neither this Prospectus nor any other offering or marketing material relating to the Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

No key information document according to the FinSA or any equivalent document under the FinSA has been prepared in relation to the Bonds, and, therefore, the Bonds may not be offered or recommended to private clients within the meaning of the FinSA in Switzerland.

15.2.10 Canada

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 distributed and will not offer, sell or distribute any Bonds, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws and, without limiting the generality of the foregoing,

(a) any offer, sale or distribution of the Bonds in Canada has and will be made only to purchasers that are "accredited investors" (as such term is defined in section 1.1 of NI 45-106 or, in Ontario, as such term is defined in section 73.3(1) of the Securities Act (Ontario)), that are also "permitted clients" (as such term is defined in section 1.1 of NI 31-103), that are purchasing as principal, or are deemed to be purchasing as principal in accordance with applicable Canadian securities laws, and that are not a person created or used solely to purchase or hold the Bonds as an "accredited investor" as described in paragraph (m) of the definition of "accredited investor" in section 1.1 of NI 45-106;

(b) either (I) it is appropriately registered under applicable Canadian securities laws in each relevant province or territory to sell and deliver the Bonds, (II) such sale and delivery will be made through an affiliate of it that is so registered if the affiliate is registered in a category that permits such sale and has agreed to make such sale and delivery in compliance with the representations, warranties and agreements set out herein, or (III) it is relying on an exemption from the dealer registration requirements under applicable Canadian securities laws and has complied with the requirements of that exemption; and

(c) it has not and will not distribute or deliver this Base Prospectus, or any other offering material in connection with any offering of the Bonds, in Canada or to a resident of Canada or to any person subject to the securities laws of any province or territory of Canada, other than in compliance with applicable Canadian securities laws.

15.2.11 General

Each Dealer agrees 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 Obligors, the Bond Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Obligors, the Bond Trustee nor the Dealers represent 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.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree, and as shall be set out in the relevant Subscription Agreement or Dealer Accession Letter, as applicable.

CHAPTER 16
GENERAL INFORMATION

16.1 Authorisation

The establishment, operation and maintenance of the Programme has been duly authorised by the Issuer most recently by resolutions passed at a meeting of the Board of Directors on 30 September 2026. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

The giving of the Guarantee by each of Anglian Water, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited has been duly authorised by resolutions of the Board of Directors of each of Anglian Water, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited, respectively, dated 25 June 2002, 10 June 2003 and 25 April 2018.

The issue of the Initial Bond Policy by MBIA in respect of the first Series of Class A Wrapped Bonds issued under the Programme on the Effective Date was duly authorised by a resolution of the meeting of the board of directors of MBIA passed on 1 March 2002.

16.2 Listing of Bonds

The admission of the Bonds to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Bonds which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Bond or Bonds initially representing the Bonds of such Tranche. The listing of the Programme in respect of Bonds is expected to be granted on or about 16 October 2026.

16.3 Documents Available

So long as Bonds are capable of being issued under the Programme, copies of the following documents, including all audit reports, will, when published, be available for inspection at the Issuer's website at https://www.anglianwatergroup.co.uk/debt-investors:

(a) the Memorandum and Articles of Association of each of the Issuer and the other Obligors;

(b) the Agency Agreement, the Bond Trust Deed, the STID and the forms of the Global Bonds, the Bonds in definitive form, the Receipts, the Coupons and the Talons;

(c) a copy of this Prospectus;

(d) in the case of Bonds in issue, the applicable Final Terms;

(e) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms to this Prospectus;

(f) each Bond Policy and all related Endorsements relating to each Tranche of Wrapped Bonds issued under the Programme;

(g) the Common Terms Agreement;

(h) the Security Agreement;

(i) the STID;

(j) each Liquidity Facility Agreement;

(k) each Hedging Agreement;

(l) each Authorised Loan Agreement;

(m) the New Finance Lease;

(n) the I&I Agreements; and

(o) the Master Definitions Agreement.

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.

16.4 Clearing Systems

The Bonds in bearer form have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Bonds in registered form to be accepted for trading in book-entry form by DTC or CDS. The CUSIP and/or CINS numbers for each Tranche of Registered Bonds, together with the relevant ISIN and common code, will be specified in the applicable Final Terms. If the Bonds are to be cleared through an additional or alternative clearing system (including Sicovam), the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

16.5 Significant or Material Change

There has been no significant change in the financial performance or financial position of Anglian Water and its subsidiary since the end of the last financial period for which either audited financial information or unaudited interim financial information has been published, whichever is the most recent, nor any material adverse change in the prospects of Anglian Water that has occurred since the end of the last financial period for which audited financial information has been published.

There has been no significant change in the financial performance or financial position of the Issuer since the end of the last financial period for which either audited financial information or unaudited interim financial information has been published, whichever is the most recent, nor any material adverse change in the financial position or prospects of the Issuer that has occurred since the end of the last financial period for which audited financial information has been published.

There has been no significant change in the financial performance or financial position of Anglian Water Services Holdings Limited and its subsidiaries nor any material adverse change in the prospects of Anglian Water Services Holdings Limited that has occurred since the end of the last financial period for which audited financial information has been published.

There has been no significant change in the financial performance or financial position of Anglian Water Services UK Parent Co Limited and its subsidiaries nor any material adverse change in the prospects of Anglian Water Services UK Parent Co Limited that has occurred since the end of the last financial period for which audited financial information has been published.

16.6 Litigation

Save as disclosed in section 1.1.2 *Material Investigations and Litigation* of this Prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Anglian Water 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 Anglian Water and its subsidiary.

Save as disclosed in section 1.1.2 *Material Investigations and Litigation* of this Prospectus, there have been 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 section 1.1.2 *Material Investigations and Litigation* of this Prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Anglian Water Services Holdings Limited 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 Anglian Water Services Holdings Limited and its subsidiaries.

Save as disclosed in section 1.1.2 *Material Investigations and Litigation* of this Prospectus, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Anglian Water Services UK Parent Co Limited 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 Anglian Water Services UK Parent Co Limited and its subsidiaries.

16.7 Auditors

Deloitte LLP, of 2 New Street Square, London, EC4A 3BZ, registered to carry on audit work in the United Kingdom by the Institute of Chartered Accountants in England and Wales ("**Deloitte**"), has audited, without qualification, the financial statements of Anglian Water, the Issuer, Anglian Water Services UK Parent Co Limited and Anglian Water Services Holdings Limited for the years ended 31 March 2026 and 31 March 2025 in accordance with International Standards on Auditing (UK).

The report of Deloitte dated 9 June 2026 (in respect of the year ended 31 March 2026) on Anglian Water, the Issuer, Anglian Water Services Holdings Limited and Anglian Water Services UK Parent Co Limited, stated as follows: "*This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed*."

16.8 Bond Trustee's reliance on reports and legal opinions

Certain of the reports of accountants and other experts to be provided in connection with the Programme and/or the issue of Bonds thereunder may be provided on terms whereby they contain a limit on the liability of such accountants or other experts.

Under the terms of the Programme, the Bond Trustee will not necessarily receive a legal opinion in connection with each issue of Bonds.

As at the Effective Date, the Bond Trustee had been provided with a legal opinion outlining the anticipated tax treatment of AWG Group Ltd, the Issuer and other members of the Anglian Water Group in relation to, *inter alia*, the extinguishment of existing Anglian Water Group borrowings or their assumption by the Issuer, the Anglian Water Loan Notes and the Hedging Agreements. This legal opinion included certain conclusions on the tax treatment of AWG Group Ltd, Anglian Water and the Issuer in relation to these transactions, and these conclusions would have been made in reliance on the conformity with U.K. GAAP of accounting treatment outlined in an AWG Parent Co Limited accounting report. This accounting report was prepared by the accounting department of AWG Parent Co Limited and was not reviewed or approved by PricewaterhouseCoopers LLP, auditors of AWG Group Ltd and the members of the Anglian Water Group at the date of such legal opinion.

16.9 Information in respect of the Bonds

The issue price and the amount of the relevant Bonds will be determined, before filing of the applicable Final Terms of each Tranche, based on then prevailing market conditions. Other than the Investors Report (see the Common Terms Agreement for details), the Issuer does not intend to provide any post-issuance information in relation to any issues of Bonds. Anglian Water must supply to the Security Trustee, each Financial Guarantor, each Rating Agency and each Facility Agent in sufficient copies for all of the relevant Secured Creditors, within the earlier of 45 days after publication of the relevant financial statements or 180 days from 31 March or 90 days from 30 September in each year, an Investors Report in respect of the immediately preceding calendar half-year, starting with 30 September, 2002. The Investors Report is available at *www.anglianwater.co.uk*.

16.10 Description of yield

The yield for any particular Series of Bonds will be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Bonds were to be purchased at the Issue Price on the Issue Date and held to maturity. Set out below is a formula for the purposes of calculating the yield of Fixed Rate Bonds or Zero Coupon Bonds. The Final Terms in respect of any Floating Rate Bonds will not include any indication of yield.

The yield in respect of each issue of Fixed Rate Bonds under the Programme will be calculated on the basis of the Issue Price using the following formula:

P = x $\left(RPI_{m-(t-1)} - RPI_{m-t}\right)$

where

P is the Issue Price of the Bonds; C is the Interest Amount;

A is the principal amount of Bonds due on redemption; n is time to maturity in years; and

r is the yield.

As an example, if an investor knows that the redemption amount be 100 per cent. and the Interest Amount is 5 per cent. and wishes to calculate the yield on an instrument with an Issue Price of 99.81 per cent., i.e. as per the following:

then a first estimate of r = 5.05 would show an issue price of 99.864 as per the following:

$99.81 = \frac{C}{R}(1 - (1 + R)^{-m}) + A\,(1 + r)^{-2}$

Then as a first estimate of t = 5.05 would show an issue price of 99.864 as per the following

$\frac{5}{0.0505}(1 - (1 + 0.0505)^{-3}) + 100(1+-0.0505)^{-3} = 99.864$

As informed second estimate of r = 5.07 would show that the right amount had been found as follows:

The yield specified in the applicable Final Terms in respect of a Series of Bonds will not be an indication of future yield.

16.11 Material Contracts

Anglian Water has not entered into contracts outside the ordinary course of its business, which could result in Anglian Water or any member of its group being under an obligation or entitlement that is material to Anglian Water's ability to meet its obligation to holders of Bonds in respect of the Bonds being issued.

16.12 Third Party Information

Information contained in this Prospectus which is sourced from Ofwat has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Ofwat, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has also identified the source(s) of such information.

16.13 Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking, hedging transactions and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Bonds issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the 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 Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds issued under the Programme. Any such positions could adversely affect future trading prices of Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

CHAPTER 17
INDEX OF DEFINED TERMS

The following terms are used throughout this Prospectus:

"**Acceleration of Liabilities**" or "**Acceleration**" means an acceleration of any Secured Liabilities or termination of a commitment (or equivalent action) including:

(a) the delivery of a termination notice from a Finance Lessor or Anglian Water terminating the leasing of any Equipment under a Finance Lease;

(b) the delivery of a notice by Anglian Water or a Finance Lessor requesting the prepayment of any Rentals under a Finance Lease;

(c) the early termination of any hedging obligations (whether by reason of an event of default, termination event or other right of early termination) under a Hedging Agreement; or

(d) the taking of any other steps to recover any payment due in respect of any Secured Liabilities which have matured for repayment and are overdue, by a Secured Creditor or Secured Creditors pursuant to the terms of the applicable Finance Documents and in accordance with the STID;

"**Accession Memorandum**" means each memorandum entered into by an additional Secured Creditor pursuant to the STID;

"**Account**" means any bank account of any member of the Anglian Water Services Financing Group;

"**Account Bank**" means Barclays Bank PLC of 1 Churchill Place, London, E14 5HP or any successor account bank appointed pursuant to the Account Bank Agreement;

"**Account Bank Agreement**" means the account bank agreement dated on or about the Effective Date between, inter alios, the Obligors, the Cash Manager, the Account Bank and the Security Trustee as supplemented from time to time;

"**Additional Finance Document Memorandum**" means each Memorandum entered into by an existing Secured Creditor pursuant to clause 3.2(b) of the STID;

"**Additional Secured Creditor**" means any person not already a Secured Creditor which becomes a Secured Creditor pursuant to the provisions of the STID;

"**Advance**" means any advance or other credit accommodation provided under any Authorised Credit Facility;

"**AFC Amounts**" means any amount which constitutes the Annual Finance Charge and which is actually due and payable, calculated in accordance with the CTA;

"**Affiliate**" means (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) a Subsidiary or a Holding Company of a person or any other Subsidiary of that Holding Company;

"**Agency Agreement**" means the agreement dated 30 July 2002 as modified by an amended and restated agency agreement dated on or about 2 October 2006 and as further modified by an amended and restated agency agreement dated on or about 12 October 2012 and as further modified by an amended and restated agency agreement dated on or about 4 October 2013 and as further modified by an amended and restated agency agreement dated on or about 9 October 2014 and as further modified by an amended and

restated agency agreement dated on or about 19 October 2020 and as further modified by an amended and restated agency agreement dated on or about 14 April 2022 and as further modified by an amended and restated agency agreement dated on or about 10 October 2023, between, inter alios, the Issuer, the Bond Trustee 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;

"**AMP7 Period**" means the five-year period commencing on 1 April 2020;

"**AMP8 Period**" means the five-year period commencing on 1 April 2025;

"**Anglian Water**" and "**AWS**" means Anglian Water Services Limited, a United Kingdom incorporated wholly-owned subsidiary of Anglian Water Services UK Parent Co Limited which has been appointed a water and water recycling undertaker under the Instrument of Appointment;

"**Anglian Water Business Financial Model**" means the business financial model prepared by Anglian Water and delivered to the Security Trustee from time to time and which, in relation to Trigger Events, must be prepared on the basis of actual figures then in issue from the Director General, rather than from any projected figures that may arise from any pending Interim Determination application or CMA referral;

"**Anglian Water Change of Control**" means the occurrence of any of the following events or circumstances:

(a) Anglian Water Services Holdings Limited ceasing to hold legally and beneficially all rights in 100 per cent. of the issued share capital of, or otherwise ceasing to Control, Anglian Water Services UK Parent Co Limited;

(b) Anglian Water Services UK Parent Co Limited ceasing to hold legally and beneficially all rights in 100 per cent. of the issued share capital of, or otherwise ceasing to Control, Anglian Water; or

(c) Anglian Water 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;

"**Anglian Water Group**" means Anglian Water and its subsidiary. For the avoidance of doubt, references to the "Anglian Water Group" shall be to AWG Parent Co Limited and its subsidiaries (including Anglian Water) for any period prior to the acquisition of AWG Parent Co Limited (then known as AWG plc) by Osprey Acquisitions Limited. In respect of Chapter 10 "*Description of the Relevant Sustainability Targets*" of this Prospectus, "Anglian Water Group" shall mean AWG Parent Co Limited and its subsidiaries;

"**Anglian Water Loan Notes**" means the loan notes issued by Anglian Water to the Issuer and the rights of the Issuer under certain assigned intercompany loans as more particularly described in Chapter 6.4.1, "Financing Structure – Intercompany Loan Arrangements – Anglian Water Loan Notes";

"**Anglian Water Services Financing Group**" and "**AWS Financing Group**" means Anglian Water Services Holdings Limited, Anglian Water Services UK Parent Co Limited (which replaced Anglian Water Services Overseas Holdings Limited in 2018), Anglian Water and the Issuer;

"**Anglian Water Services Holdings Limited**" and "**AWS Holdings**" means Anglian Water Services Holdings Limited, a United Kingdom incorporated wholly-owned subsidiary of AWG Group Ltd;

"**Anglian Water Services Overseas Holdings Limited**" and "**AWS Overseas Holdings**" means Anglian Water Services Overseas Holdings Limited, a Cayman Islands incorporated company;

"**Annual Finance Charge**" means, in respect of the Pre-Test Period and thereafter each 12-month period commencing on 1 April in any subsequent year, the aggregate of all interest due or to become due

(after taking account of the impact of interest rates on any Hedging Agreements then in place) during that Pre-Test Period or 12-month period, all premia payable to any Financial Guarantor within that Pre-Test Period or 12-month period and the Lease Reserve Amounts and adjusted Lease Reserve Amounts falling due in that Pre-Test Period or 12- month period;

"**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 directors may consider appropriate arising out of changes to applicable accounting principles or otherwise from time to time;

"**Arranger**" means Barclays Bank PLC, as arranger of the Programme;

"**Associate**" means any person associated with or in whom any member of the Anglian Water Group or any successor of any of them or any member of any successor group of companies owning or controlling any interest in the Anglian Water Services Financing Group has an interest (whether directly or indirectly);

"**Assumptions**" means those assumptions which formed the basis for the Anglian Water Business Financial Model;

"**Auditors**" means Deloitte LLP or such other firm of accountants of international repute as may be appointed by Anglian Water in accordance with the CTA as the Auditors for the Anglian Water Services Financing Group;

"**Australian dollars**" means the lawful currency of Australia;

"**Authorised Credit Facilities**" means any facility or agreement entered into by the Issuer (or in the case of a Finance Lease, Anglian Water) for Class A Debt as permitted by the terms of the Common Terms Agreement or for the issue of Bond Policies in relation thereto, the providers of which have acceded to the STID and the Common Terms Agreement and includes (without limitation) the Initial Authorised Loan Agreement, the Bridging Facility, the Liquidity Facilities, the New Finance Lease, the Anglian Water Loan Notes, the Issuer/Anglian Water Loan Agreement, the Bond Trust Deed, the Existing Bond Trust Deeds, the Bonds, the Existing Hedging Agreements, the Premium Letters, the I&I Agreements and any other document entered into in connection with an Authorised Credit Facility or the transactions in an Authorised Credit Facility;

"**Authorised Credit Facility Arranger**" means in respect of any Authorised Loan Agreement, any authorised credit facility agent in respect of such Authorised Loan Agreement or successor thereto;

"**Authorised Credit Provider**" means a lender or other provider of credit or financial accommodation under any Authorised Credit Facility and includes each Financial Guarantor for so long as any Bond Policy issued by that Financial Guarantor is outstanding, and each Bondholder;

"**Authorised Credit Providers**" means any party to an Authorised Loan Agreement as lender or a Finance Party;

"**Authorised Investments**" means:

(a) securities issued by the Government of the United Kingdom;

(b) demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short-term Rating;

(c) any other obligations provided that in each case the relevant investment has the Minimum Short- term Rating and is either denominated in 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 Fitch or Al by Moody's, provided that in Anglian Water's reasonable opinion it is able to liquidate such funds on a same day basis without material cost penalties being imposed;

"**AWG Group Ltd**" means AWG Group Ltd (formerly Anglian Water plc), a company incorporated under the laws of England and Wales and formerly listed on the London Stock Exchange, a wholly-owned subsidiary of AWG Parent Co Limited;

"**AWG Parent Co Limited**" means AWG Parent Co Limited, a company incorporated under the laws of England and Wales, formerly admitted to the Official List and to trading on the London Stock Exchange, a wholly-owned subsidiary of Osprey Acquisitions Limited, formerly known as AWG plc;

"**AWGL**" means Anglian Water Group Limited, a company incorporated under the laws of Jersey, the ultimate holding company of the Anglian Water Group;

"**AWS Derivative Policy**" means the hedging policy applicable to AWS and as set out in Schedule 8A (*AWS Derivative Policy and Overriding Provisions Relating to AWS Derivative Transactions*) of the CTA as such hedging policy may be amended from time to time by agreement between the Security Trustee and AWS;

"**AWS Derivative Transaction**" means any Treasury Transaction entered or to be entered into by AWS to manage fluctuations in U.K. electricity prices and / or U.K. natural gas prices for non-speculative purposes only in line with market developments, regulatory developments and Good Industry Practice;

"**Barclays Authorised Loan Agreement**" means the bank facility entered into between, inter alios, the Issuer and certain Authorised Credit Providers dated 26 February 2015;

"**Base Cash Flows**" means the annual cash flows of the amounts of costs netted off against the amount of receipts and savings in respect of each Relevant Change of Circumstance, Notified Item and relevant disposal of land;

"**Basel Committee**" means the Basel Committee on Banking Supervision;

"**Basel III**" means the reforms to the Basel II framework implemented by the Basel Committee, as further described in Chapter 1.7.6, "*Risk Factors – Risks relating to all Bond Issuances – Treatment of the Bonds for Capital Adequacy Purposes*";

"**Basel IV**" means the set of amendments to the Basel III package announced by the Basel Committee in December 2017, as further described in Chapter 1.7.6, "*Risk Factors – Risks relating to all Bond Issuances – Treatment of the Bonds for Capital Adequacy Purposes*";

"**Baselines**" means the Capital Carbon Emissions Baseline, the Net Operational Carbon Emissions Baseline, the Natural Household Water Abstraction Baseline and the PSR Adoption Baseline against which the Sustainability Performance Targets are measured under the Sustainability-Linked Finance Framework;

"**Bearer Bonds**" means those of the Bonds which are in bearer form;

"**Bond Policies**" means the financial guarantee insurance policy issued by a Financial Guarantor in respect of Class A Wrapped Bonds which includes the Initial Bond Policies;

"**Bond Trust Deed**" means (a) in respect of Bonds issued under the Programme, the Bond Trust Deed dated 30 July 2002 between, *inter alios*, the Issuer, the Initial Financial Guarantor and the Bond Trustee under which Bonds will, on issue, be constituted and which sets out the terms and conditions on which the Bond Trustee has agreed to act as bond trustee; and (b) in respect of the Existing Bonds, the Existing Bond Trust Deeds (and, in respect of such Bonds issued after the date of this Prospectus, as supplemented by a first supplemental bond trust deed dated on or about 23 September 2005, a second supplemental bond trust deed dated on or about 2 October 2006, a third supplemental bond

trust deed dated on or about 6 October 2011, a fourth supplemental bond trust deed dated on or about 12 October 2012, a fifth supplemental bond trust deed dated on or about 4 October 2013, a sixth supplemental bond trust deed dated on or about 9 October 2014, a seventh supplemental bond trust deed dated on or about 12 September 2016, an eighth supplemental trust deed dated on or about 23 July 2018, a ninth supplemental bond trust deed dated on or about 30 September 2019, a tenth supplemental bond trust deed dated on or about 19 October 2020, an eleventh supplemental bond trust deed dated on or about 14 April 2022, a twelfth supplemental trust deed dated on or about 22 October 2022, a thirteenth supplemental trust deed dated on or about 10 October 2023, a fourteenth supplemental trust deed dated on or about 9 October 2024, a fifteenth supplemental trust deed dated on or about 9 October 2025, a sixteenth supplemental bond trust deed dated on or about 13 October 2026 and as further modified and/or supplemented and/or restated from time to time);

"**Bond Trustee**" means Deutsche Trustee Company Limited or any successor trustee appointed pursuant to the Bond Trust Deed and/or the Existing Bond Trust Deeds, for and on behalf of the relevant Bondholders;

"**Bondholders**" means the holders from time to time of the Bonds;

"**Bonds**" means the Class A Bonds Bonds;

"**Bridging Facility**" means the bridge facility made available under the Bridging Facility Agreement;

"**Bridging Facility Agent**" means Barclays Bank PLC or any successor thereto;

"**Bridging Facility Agreement**" means the bridging facility agreement dated 18 April 2002 between the Issuer, the other Obligors, the Facility Arrangers, the Original Lenders and the Facility Agent (each as defined therein) and which is now cancelled;

"**Business**" means Regulated Business and Permitted Non-Statutory Business whether under a Permitted Joint Venture 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 T2 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 applicable Final Terms;

(b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the currency in which such financial indebtedness is denominated (which in the case of a payment in U.S. dollars shall be New York and which in the case of Australian dollars is Sydney and which in the case of Canadian dollars is Toronto) and in each (if any) additional city or cities specified in the applicable Final Terms; and

(c) in relation to the definition of Lease Calculation Date, a day on which commercial banks and foreign exchange markets settle payments generally in London;

"**Calculation Date**" means (other than in any Hedging Agreement where "Calculation Date" has the meaning given to it in that Hedging Agreement), 31 March and 30 September in each year starting on 31 March 2002 or any other calculation date agreed as a result of a change in the financial year end date of any Obligor;

"**Canadian dollars**" means the lawful currency of Canada;

"**Capex Contract**" means any agreement pursuant to which Anglian Water outsources any investment, construction works and other capital expenditure;

"**Capex Reserve Account**" means the account of Anglian Water titled "Capex Reserve Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

"**Capital Maintenance Expenditure**" means investment expenditure incurred (or, in respect of any future period, forecast to be incurred in the Anglian Water Business Financial Model) on maintaining base service levels in the Regulated Business including IRE Expensed but excluding any investment expenditure relating to increases in capacity or enhancement of service levels, quality or security of supply;

"**Cash Expenses**" means the aggregate of all expenses incurred by Anglian Water in any period (excluding depreciation, IRC and interest on Financial Indebtedness);

"**Cash Manager**" means Barclays Bank PLC during and after a Standstill Period (except where the Standstill Period is terminated because the Event of Default giving rise to the Standstill is remedied or waived), in its capacity as Cash Manager under the CTA, or any successor Cash Manager, and at all other times Anglian Water;

"**CAT**" means the Competition Appeal Tribunal of the United Kingdom;

"**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 Anglian Water in Ofwat's most recent Final Determination adjusted as appropriate for any subsequent Interim Determination and for Out-turn Inflation;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CGN**" means classic global notes;

"**Class**" means each class of Bonds, the available Classes of Bonds being Class A Wrapped Bonds, Class A Unwrapped Bonds;

"**Class A Average PMICR**" means the sum of the ratios of Net Cash Flow less the greater of (a) the aggregate of CCD and IRC and (b) Capital Maintenance Expenditure to Class A Debt Interest for each of the Test Periods comprised in a Rolling Average Period divided by 3;

"**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 as at the Effective Date all debt outstanding under:

(a) the Class A Wrapped Bonds and the Class A Unwrapped Bonds (if any) issued by the Issuer on or after the Effective Date;

(b) the Existing Bonds and the USPP 2001 Bonds which the Issuer will assume liability for on the Effective Date;

(c) the Initial Authorised Loan Agreement;

(d) the New Finance Lease;

(e) the Existing Hedging Agreements;

(f) tranche Al and tranche B and the Class A portion of tranche A2 of the Bridging Facility;

(g) the Debt Service Reserve Liquidity Facilities;

(h) the O&M Reserve Facility;

(i) the MBIA Premium Letter; and

(j) the first I&I Agreement;

"**Class A Debt Instructing Group**" or "**Class A DIG**" means a group of representatives (each a "**Class A DIG Representative**") of Qualifying Class A Debt, comprising of:

(a) in respect of each Series of Class A Wrapped Bonds (if no FG Event of Default has occurred and is continuing), the Financial Guarantor;

(b) in respect of each Series of Class A Wrapped Bonds (after an FG Event of Default has occurred and is continuing in respect of the Financial Guarantor of those Bonds) and each Series of Class A Unwrapped Bonds (other than USPP Bonds), the Bond Trustee;

(c) in respect of Class A USPP Bonds (i) prior to the occurrence of an Event of Default, any USPP Bondholder who has outstanding to it or any of its affiliates more than US$70,000,000 of Class A USPP Bonds or (ii) after an Event of Default has occurred and is continuing, any USPP Bondholder;

(d) in respect of the Barclays Authorised Loan Agreement, Barclays Bank PLC;

(e) in respect of the Existing Finance Lease, the Finance Lessor;

(f) in respect of the EIB Authorised Loan Agreement, the European Investment Bank; and

(g) in respect of any other Secured Liabilities of the type referred to in paragraphs (a) to (f) 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 or, in relation to existing Secured Creditors, the relevant Additional Finance Document 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 Debt Interest**" means, in relation to any Test Period, and without double counting an amount equal to the aggregate of all interest paid, due but unpaid or in respect of forward-looking ratios payable on the Issuer's and/or Anglian Water's obligations under or in connection with all Class A Debt, all premia paid, due but unpaid or in respect of forward looking ratios, payable, to any Financial Guarantor of Class A Debt and adjusted Lease Reserve Amounts or Lease Reserve Amounts paid, due but unpaid or in respect of forward looking ratios, payable on the Issuer's and/or Anglian Water'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 all indexation of principal to the extent it has been included in such interest or other amounts) and excluding amortisation of the costs of issue of any Class A Debt within such Test Period and all other costs incurred in connection with the raising of such Class A Debt less all interest received or in respect of forward looking ratios receivable by any member of the Anglian Water Services Financing Group from a third party during such period;

"**Class A Debt Provider**" means a provider of, or Financial Guarantor of, Class A Debt;

"**Class A Debt Service Reserve Account**" or "**Class A DSRA**" means the account of the Issuer titled "Class A Debt Service Reserve Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

"**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, all the Issuer's and Anglian Water's nominal debt outstanding under and in connection with any Class A Debt (other than pursuant to tranche B of the Initial Authorised Loan Agreement) including all indexation accrued on any such liabilities which are indexed together with any interest due but unpaid (after taking into account the effect of all Interest Rate Hedging Agreements then in force) and less the value of all Authorised Investments and other amounts standing to the credit of any Account other than the Customer Payment Account or the Distributions Account) (where such debt is denominated other than in Sterling, the

nominal amount outstanding will be calculated: (i) in respect of debt with associated Currency Hedging Agreements, by reference to the applicable hedge rates; or (ii) in respect of debt with no associated Currency Hedging Agreements, by reference to the Exchange Rate);

"**Class A PMICR**" means the ratio of Net Cash Flow less the greater of (a) the aggregate of CCD and IRC and (b) Capital Maintenance Expenditure for each Test Period to Class A Debt Interest for the same Test Period;

"**Class A RAR**" means the ratio of Class A Net Indebtedness to RCV;

"**Class A Unwrapped Bonds**" means the Class A Bonds that do not have the benefit of a guarantee from a Financial Guarantor, which includes the Transferred USPP Bonds and some of the Existing Bonds;

"**Class A Unwrapped Debt**" means the Class A Debt that does not have the benefit of a guarantee from a Financial Guarantor;

"**Class A USPP Bonds**" means USPP Bonds which are also Class A Bonds;

"**Class A Wrapped Bonds**" means the Class A Bonds that have the benefit of a guarantee from a Financial Guarantor, which includes some of the Existing Bonds;

"**Class A Wrapped Debt**" means Class A Debt that has the benefit of a guarantee from a Financial Guarantor;

"**Class B Bonds**" means the class B bonds existing prior to the Class B Deed Poll taking effect;

"**Class B Deed Poll**" means the deed poll granted by the Issuer and AWS in favour of the Security Trustee (for the benefit of all the Secured Creditors) dated 13 July 2021;

"**Class B Debt Incurrence Restriction**" has the meaning given to it Chapter 6.11.4, "*Financing Structure – Other Transaction Documents*";

"**Clearstream, Luxembourg**" means Clearstream Banking S.A.;

"**CMA**" means the Competition and Markets Authority in the United Kingdom;

"**Combined Contract**" means any agreement pursuant to which Anglian Water sub-contracts, tenders or outsources both investment or construction works or other capital expenditure as well as the day to day operation of its assets and service delivery or any maintenance expenditure;

"**Common Safekeeper**" means Clearstream AG, Frankfurt;

"**Common Terms Agreement**" or "**CTA**" means the Common Terms Agreement dated 30 July 2002 between the Obligors and, *inter alios*, the Security Trustee, as amended by an amendment agreement to the CTA dated on or about 7 December 2006 which contains certain representations and covenants of the Obligors and Events of Default as amended from time to time;

"**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 Anglian Water entitled "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;

"**Conditions**" means the terms and conditions of the Bonds set out in the Bond Trust Deed as may from time to time be amended, varied or supplemented in the manner permitted under the STID;

"**Conformed Class A Average PMICR**" means the sum of the ratios of Net Cash Flow less the greater of (a) Depreciation and (b) Capital Maintenance Expenditure to Class A Debt Interest for each of the Test Periods comprised in a Rolling Average Period divided by three;

"**Conformed Class A PMICR**" means the ratio of Net Cash Flow less the greater of (a) Depreciation and

(b) Capital Maintenance Expenditure for each Test Period to Class A Debt Interest for the same Test Period;

"**Conformed Senior Average PMICR**" means the sum of the ratios of Net Cash Flow less the greater of (a)Depreciation and (b) Capital Maintenance Expenditure, to Senior Debt Interest for each of the Test Periods comprised in a Rolling Average Period divided by three;

"**Conformed Senior PMICR**" means the ratio of Net Cash Flow less the greater of (a) Depreciation and (b) Capital Maintenance Expenditure for each Test Period to Senior Debt Interest for each of the same Test Periods for that period;

"**Consortium**" means the Consortium formed for the purposes of acquiring the share capital of AWG Parent Co Limited and now comprising of CPPIB Investment Board Private Holdings (6) Inc., First Sentier Investors (Luxembourg) Infrastructure (B) GP S.à.r.l. as managing general partner of Infrastructure Lux (B) SCSp, Conyers Trust Company (Cayman) Limited (in its capacity as trustee of IFM Global Infrastructure Fund), Camulodunum Investments Ltd and Infinity Investments S.A.;

"**Construction Output Price Index**" means the index issued by the Department of Trade and Industry, varied from time to time, relating to price levels of new build construction based on a combination of logged values of tender price indices, labour and materials cost indices and on the value of new construction orders in the United Kingdom;

"**Contractors**" means any person (being either a single entity or joint venture) that is a counterparty to an Outsourcing Agreement or Capex Contract or Combined Contract;

"**Control**" of one person by another person means that the other (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) and whether acting alone or in concert with another or others has the power to appoint and/or remove the majority of the members of the governing body of that person or otherwise controls or has the power to control the affairs and policies of that person (and references to "**Controlled**" and "**Controlling**" shall be construed accordingly);

"**Council**" means the Ofwat National Customer Council;

"**Coupon**" means an interest coupon appertaining to a definitive Bearer Bond (other than a Zero Coupon Bond);

"**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;

"**Covenantors**" means:

(a) CPPIB Investment Board Private Holdings (6) Inc. a company incorporated in Canada with registered number 1354495-8 and having its registered office at One Queen Street East, Suite 2500, Toronto, Ontario, Toronto, M5C 2W5, Canada ("**CPPIB**");

(b) First Sentier Investors (Luxembourg) Infrastructure (B) GP S.à.r.l. (company registration number B262476) as managing general partner of Infrastructure Lux (B) SCSp, a company registered in Luxembourg whose registered office is at 11-13, Boulevard de la Foire L-1528 Luxembourg, Grand Duchy of Luxembourg ("**First Sentier**");

(c) Conyers Trust Company (Cayman) Limited, a Cayman Islands exempted company, number 55233, whose registered office is at P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman, KY1- 1111, Cayman Islands in its capacity as trustee of IFM Global Infrastructure Fund ("**IFM**");

(d) Camulodunum Investments Ltd, a company incorporated in England and Wales (registered number 11108175) and whose registered office is at 1 Park Row Leeds LS1 5AB ("**CIL**"); and

(e) Infinity Investments S.A., a company incorporated in Luxembourg (registered number B139024) and whose registered office is at 2C, rue Albert Borschette, L-1246, Luxembourg ("**Infinity**"),

together with such persons that hold shareholder instruments in AWGL and become bound by the terms of the Deed of Indemnity from time to time;

"COVID-19 STID Proposal" has the meaning given to it in Chapter 6.5.5(vii), "*Financing Structure – Common Terms Agreement – Covenants - General*";

"**CP Document**" means the agreement entitled "Conditions Precedent Agreement" dated 30 July 2002 and entered into, *inter alios*, between the Obligors, the Bond Trustee and the Security Trustee;

"**CPI**" means the U.K. Consumer Price Index (for all items) published by the Office for National Statistics (2015 = 100) or the relevant successor index;

"**CPIH**" means the U.K. Consumer Price Index including owner occupiers' housing costs (for all items) published by the Office for National Statistics (2015 = 100) or the relevant successor index;

"**Currency Hedging Agreement**" means any Hedging Agreement with a Hedge Counterparty in respect of a currency exchange transaction;

"**Customer Payment Account**" means the account of Anglian Water titled "Customer Payment Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

"**Customer Payment Account Required Balance**" means, at any time during a Financial Year, the amount calculated in accordance with the following formula:

$$\frac{CRA}{12}\ x\ m$$

where CRA means, in respect of such Financial Year, the aggregate Customer Rebates declared, and m means the number of accounting months unexpired in such Financial Year;

"**Customer Rebates**" means, in respect of any Financial Year, an amount equal to the difference between the total revenue that is projected by Anglian Water to be raised during such Financial Year on the basis of the announced charges and the revenue that would have accrued if Anglian Water had established prices at the full price cap available to it under the Instrument of Appointment;

"**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, Canadian Imperial Bank of Commerce, London Branch, HSBC Bank plc, ING Bank N.V., J.P. Morgan Securities plc, Lloyds Bank Corporate Markets plc, Morgan Stanley & Co. International plc, NatWest Markets Plc, SMBC Bank International plc and any other entity which the Issuer and the Obligors may appoint as a Dealer and notice of whose appointment has been given to the Principal Paying Agent and the Bond Trustee by the Issuer in accordance with the provisions of the Programme Agreement but excluding any entity whose appointment has been terminated in accordance with the provisions of the Programme Agreement and notice of such termination has been given to the Principal Paying Agent and the Bond Trustee by the Issuer in accordance with the provisions of the Programme Agreement and references to a "**relevant Dealer**" or the "**relevant Dealer(s)**" mean, in relation to any Tranche or

Series of Bonds, the Dealer or Dealers with whom the Issuer has agreed the issue of the Bonds of such Tranche or Series and "**Dealer**" means any one of them;

"**Debt Service Reserve Account**" means the Class A Debt Service Reserve Account;

"**Debt Service Reserve Liquidity Facility**" means a debt service reserve liquidity facility (as may be amended and/or restated from time to time) made available under a Liquidity Facility Agreement;

"**Debt Service Reserve Liquidity Facility Agreement**" means any agreement establishing a Debt Service Reserve Liquidity Facility as more particularly described in Chapter 6.9.3, "*Financing Structure – Additional Resources Available – The Liquidity Facilities*";

"**Debt Service Reserve Liquidity Facility Provider**" means HSBC UK Bank plc, SMBC Bank International plc, Assured Guaranty UK Limited, Assured Guaranty Inc., or any other provider of Debt Service Liquidity Facilities;

"**Deed of Indemnity**" means the Deed of Indemnity dated 7 December 2006 between the Obligors and, *inter alios*, the Security Trustee, which contains certain indemnities relating to tax;

"**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:

(a) a Standstill Period; or

(b) an Event of Default;

"**Definitive IAI Registered Bond**" means a Registered Bond sold to an Institutional Accredited Investor pursuant to section 4(a)(2) under the Securities Act;

"**DEFRA**" means the Department of the Environment, Food and Rural Affairs in the United Kingdom;

"**Depreciation**" means, in relation to any period of time, the "total RCV run-off" (or other term(s) used to mean the depreciation charges applicable to the RAV) in respect of such period (interpolated as necessary) as last determined and notified to AWS 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";

"**DGWS**" or "**Director General**" means the Director General of Water Services in England and Wales;

"**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 only;

"**DIG Representatives**" means the Class A DIG Representatives;

"**Directors**" means the board of directors for the time being of the Issuer or as the case may be the relevant Obligor;

"**DISC**" means the FCA Product Disclosure Sourcebook;

"**Discharge Date**" means the date on which all obligations of the Issuer under the Finance Documents have been irrevocably satisfied in full and no further obligations are capable of arising under the Finance Documents;

"**Distribution**" means:

(a) any payments (including, without limitation, any payments of distributions, dividends (including any Special Distribution), bonus issues, return of capital, fees, interest, principal or other accounts whatsoever) (by way of loan or repayment of any loan or otherwise) (in cash or in kind) to any member of the Anglian Water Group or any successor entity having an interest in Anglian Water Services Holdings Limited or any Associate or Affiliate of any such person other than:

(i) payments made to such persons pursuant to arrangements entered into on *bona fide* arm's length terms in the ordinary and usual course of trading to the extent that the aggregate of all such payments does not exceed £5,000,000 (indexed) in any consecutive 12-month period;

(ii) any payments made to such persons pursuant to any Outsourcing Agreement and/or Capex Contracts entered into in compliance with the Outsourcing Policy;

(iii) 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 £500,000 (indexed) in any consecutive 12-month period; or

(iv) a UK Holdco Debt Service Distribution; or

(b) payments made in respect of any Financial Indebtedness falling within paragraph (f) of the definition of Permitted Financial Indebtedness;

"**Distributions Account**" means the account of Anglian Water titled "Anglian Water Distributions Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

"**DTC**" means The Depository Trust Company of 55 Water Street, New York, NY 10041, United States of America;

"**DWI**" means the Drinking Water Inspectorate;

"**EA**" means the UK Environment Agency;

"**Early Redemption Amount**" means for the purposes of the USPP 2001 Bonds, the principal and Make-Whole Amount (if any), but excluding any accrued interest payable, to the Bondholder on redemption of a USPP 2001 Bond as a result of an Early Redemption Event occurring and in relation to any other Bonds, as defined in the Conditions relating to such Bonds;

"**Early Redemption Event**" means a notice is given pursuant to clause 8.3(a)A of the Note Purchase Agreement;

"**ECB**" means the European Central Bank;

"**EDC**" means Export Development Canada;

"**EDC Authorised Loan Facility**" means the term loan facility provided to the Issuer by EDC;

"**Effective Date**" means 30 July 2002 being the date on which the conditions precedent contained in the CP Document were fulfilled or waived in accordance with the CP Document;

"**EIB**" means the European Investment Bank;

"**EIB Authorised Loan Agreement**" means the bank facility entered into between, *inter alios*, the Issuer and the EIB on 6 July 2009;

"**Emergency**" means the disruption of the normal service of the provision of water or waste water services which is treated as an emergency under Anglian Water's policies, standards and procedures for emergency planning manual (EMPROC) (as amended from time to time);

"**Emergency Instruction Notice**" means a notice as set out in Chapter 6.3.9, "*Financing Structure – Security Trust and Intercreditor Deed – Emergency Instruction Procedure*";

"**EIN Signatories**" has the meaning as set out in Chapter 6.3.9, "*Financing Structure – Security Trust and Intercreditor Deed – Emergency Instruction Procedure*";

"**EMMI**" means the European Money Markets Institute, the administrator of EURIBOR;

"**Enforcement Action**" means any step (other than the exercise of any rights of inspection of any asset or other immaterial actions taken under any Finance Lease) that a Secured Creditor is entitled to take to enforce its rights against an Obligor under a Finance Document following the occurrence of an Event of Default including, without limitation, the declaration of an Event of Default or an Early Redemption Event, the institution of proceedings, the making of a demand for payment under a guarantee, the making of a demand for cash collateral under a guarantee or the Acceleration of Liabilities (other than a Permitted Lease Termination, a Permitted EIB Compulsory Prepayment Event, a Permitted Hedge Termination or a Permitted Acceleration) by a Secured Creditor or Secured Creditors pursuant to the terms of the applicable Finance Documents;

"**Enforcement Notice**" means a notice in writing from the Security Trustee to the Issuer and/or Anglian Water specifying that all or any of the Secured Liabilities have or has become immediately enforceable;

"**Enforcement Order**" means an enforcement order, a final enforcement order or a provisional enforcement order, each as referred to and defined in the WIA;

"**Enhancement Capex Purpose**" has the meaning given to it in Chapter 6.5.5(vii), "*Financing Structure – Common Terms Agreement – Covenants - General*";

"**Enterprise Act**" means the Enterprise Act 2002 which received Royal Assent on 7 November 2002;

"**Entrenched Rights**" means the rights of the Secured Creditors set out in Chapter 6.3.19, "*Financing Structure – Security Trust and Intercreditor Deed – Entrenched Rights*";

"**Environment Act**" means the Environment Act 2021;

"**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 pounds sterling, calculated on the basis of the Exchange Rate;

"**ESG**" means environmental, social and governance;

"**ESMA**" means the European Securities and Markets Authority;

"**EU**" means the European Union;

"**EU Benchmarks Regulation**" means Regulation (EU) 2016/1011 (as amended);

"**EU CRA Regulation**" means Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended);

"**EU Green Bond Standard Regulation**" means Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (including supplemental delegated regulations thereto);

"**EU PRIIPs Regulation**" means Regulation (EU) No 1286/2014;

"**EU Securitisation Regulation**" means Regulation (EU) 2017/2402;

"**EU Taxonomy Regulation**" means Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (including the supplemental delegated regulations thereto);

"**EURIBOR**" means the Euro Interbank Offered Rate;

"**Euroclear**" means Euroclear Bank SA/NV;

"**Event of Default**" means (other than in any Hedging Agreement when used in relation to a Hedge Counterparty, where "Event of Default" has the meaning given to it in that Hedging Agreement) an event specified as such in schedule 7 of the Common Terms Agreement, as more particularly described under Chapter 6.5.10, "*Financing Structure – Common Terms Agreement – Events of Default*";

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended;

"**Exchange Agent**" means Deutsche Bank Trust Company Americas as exchange agent to the Issuer in respect of Registered Bonds;

"**Exchange Rate**" means the spot rate at which the relevant currency is converted to pounds Sterling as quoted by the Agent Bank as at 11.00 a.m.:

(a) for the purposes of clause 9.3 (Notice to Secured Creditors of STID Proposal) and clause 9.6 (DIG Directions Request) of the STID, respectively, on the date that the STID Proposal or DIG Proposal (as applicable) is dated; and

(b) in any other case, on the date as of which calculation of the Equivalent Amount of the Outstanding Principal Amount is required,

and, in each case, as notified by the Agent Bank to the Security Trustee;

"**Exempt Bonds**" means Bonds issued by the Issuer that are not admitted to trading on (a) any regulated market for the purposes of Directive 2014/65/EU in the European Economic Area or (b) a UK regulated market (as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA), and are not admitted to listing or trading on any unregulated market or any other regulated market;

"**Existing Agency Agreements**" means each of those agency agreements in respect of the Existing Bonds as the same shall have been amended on the Effective Date;

"**Existing Bond Trust Deeds**" means the bond trust deeds in relation to:

(a) £100,000,000 12 per cent. bonds due 2014 dated 7 January 1991, between AWG Group Ltd as issuer, Anglian Water as guarantor and Sun Alliance Trust Company Limited as trustee;

(b) £200,000,000 6.625 per cent. guaranteed bonds due 2023 dated 21 August 1998, between AWG Group Ltd as issuer, Anglian Water as guarantor and Royal Exchange Trust Company Limited as trustee;

(c) £200,000,000 6.375 per cent. guaranteed bonds due 2029 dated 15 January 1999, between AWG Group Ltd as issuer, Anglian Water as guarantor and Royal Exchange Trust Company Limited as trustee;

(d) €350,000,000 5.375 per cent. bonds due 2009 dated 2 July 1999, between AWG Group Ltd as issuer and Royal Exchange Trust Company Limited as trustee; and

(e) €1,500,000,000 MTN Programme dated 22 March 2000, between AWG Group Ltd as issuer, Anglian Water as guarantor and IRG Trustees Limited as trustee, pursuant to which £150,000,000 3.875 per cent. index-linked guaranteed notes due 2020 were issued on 28 April 2000,

as were amended pursuant to a consent solicitation on the Effective Date;

"**Existing Bonds**" means such of the following Bonds issued by AWG Group Ltd pursuant to the Existing Bond Trust Deeds for which the Issuer assumed liability on the Effective Date:

(a) £100,000,000 12 per cent. bonds due 2014;

(b) £150,000,000 3.875 per cent. index-linked guaranteed notes due 2020;

(c) £200,000,000 6.625 per cent. guaranteed bonds due 2023;

(d) £200,000,000 6.375 per cent. guaranteed bonds due 2029; and

(e) €350,000,000 5.375 per cent. bonds due 2009.

With regard to the assumption of liability by the Issuer of the Existing Bonds on the Effective Date, listing particulars were prepared and submitted to the FCA for approval prior to the Effective Date;

"**Existing Finance Lease**" means the lease between Anglian Water and the Existing Finance Lessor which was entered into prior to the Effective Date as amended, supplemented, assigned and novated prior to the Effective Date;

"**Existing Finance Lessor**" means Mercantile Leasing Company (No. 132) Limited which leases or agrees to lease Equipment to Anglian Water, under the terms of the Existing Finance Lease, including any of its successors or assigns;

"**Existing Framework Agreements**" means the framework agreements between Anglian Water and Contractors entered into prior to the Effective Date under which Anglian Water subcontracts, tenders and outsources its operation and maintenance expenditure and/or construction works and other capital expenditure;

"**Existing Hedge Counterparties**" means Barclays Bank PLC, Citibank, N.A., London Branch, Deutsche Bank AG, London Branch, Dresdner Bank AG and HSBC Bank plc including their successors and assigns;

"**Existing Hedging Agreements**" means the Treasury Transactions entered into by the Issuer and the Existing Hedge Counterparties dated on or about the Effective Date or any such agreement entered into by Anglian Water or AWG Group Ltd and one or more of the Existing Hedge Counterparties prior to the Effective Date and novated to the Issuer on or before the Effective Date;

"**Existing Joint Venture**" means:

(a) a joint venture called "AB Water" entered into between Anglian Water and Persimmon Homes (formerly Beazer Homes) for effluent recycling;

(b) a joint venture called "BREG" (Bio-solids Reduction and Energy Generation Plant) entered into between Anglian Water and TXU Europe Power Ltd. for the design, development, construction and operation of plants to generate heat and electricity in a combined cycle power station from natural gas and gasified water recycling sludge;

(c) a joint venture called "Logica" entered into between Anglian Water and Logica UK Ltd. for the development, supply and support of telemetry systems;

(d) a joint venture called "ABB Kent" entered into between Anglian Water and ABB Metering Limited to develop an automatic meter reading system;

(e) a joint venture called "Ardleigh Reservoir" pursuant to the Ardleigh Reservoir Order 1967; and

(f) any Existing Framework Agreements existing at the Effective Date,

details of which have been provided to the Security Trustee and the Initial Financial Guarantor;

"**Eurosystem**" means the European Central Bank and the national central banks of EU Member States that have adopted the euro;

"**EUWA**" means the European Union (Withdrawal) Act 2018;

"**External Verifier**" means the external verifier appointed on an annual basis to verify Anglian Water's performance in relation to each Key Performance Indicator against each corresponding Sustainability Performance Target, as further described in Condition 6(c) (*Step up Option*);

"**Facility Agent**" means any facility agent under any Authorised Credit Facility;

"**FCA**" means the United Kingdom Financial Conduct Authority;

"**FG Event of Default**" means in relation to the Initial Financial Guarantor:

(a) any Insured Amount which is Due for Payment (each as defined under the relevant Bond Policy) is unpaid by reason of non-payment by the Issuer and is not paid by such Financial Guarantor on the date stipulated in the relevant Bond Policy;

(b) such Financial Guarantor disclaims, disaffirms, repudiates and/or challenges the validity of any of its obligations under the relevant Bond Policy or seeks to do so;

(c) such Financial Guarantor:

(i) presents any petition, commences any case or takes any proceedings for the winding-up or the appointment of an administrator or receiver (including as administrative receiver or manager), conciliator, trustee, assignee, custodian, sequestrator, liquidator or similar official under any bankruptcy law, of such Financial Guarantor (or, as the case may be, of a material part of its property or assets) under any Bankruptcy Law;

(ii) makes or enters into any general assignment, composition, arrangement (including a voluntary arrangement under the Insolvency Act 1986) or compromise with or for the benefit of any of its creditors;

(iii) has a final and non-appealable order for relief entered against it under any Bankruptcy Law; or

(iv) has a final and non-appealable order, judgment or decree of a court of competent jurisdiction entered against it appointing any conciliator, receiver, administrative receiver, trustee, assignee, custodian, sequestrator, liquidator, administrator or similar official under any Bankruptcy Law (each a "Custodian") for such Financial Guarantor or all or any material portion of its property or authorising the taking of its possession by a Custodian of such Financial Guarantor.

For the purpose of this definition, "**Bankruptcy Law**" means Law No. 85-98 of 25 January 1985 and Law No 84-148 of 1 March 1984 of the French Republic, any similar or future federal or state bankruptcy, insolvency, reorganisation, moratorium, rehabilitation, fraudulent conveyance or similar law, statute or regulation of the French Republic or of any other applicable jurisdiction for the relief of debtors, and, in relation to any other Financial Guarantor, such events as are specified in that Financial Guarantor's I&I Agreement or equivalent document and set out in the applicable Final Terms;

"**Final Determination**" means the final determination of price controls made by Ofwat on a five-yearly (or other periodic) basis following a Periodic Review;

"**Final Terms**" means the final terms issued in relation to each Tranche of Bonds and giving details of that Tranche;

"**Finance Documents**" means the Security Documents, Bond Trust Deed and the Existing Bond Trust Deeds, the Bonds (including the applicable Final Terms), the Bond Policies, the I&I Agreements, the Premium Letters, the Finance Lease Documents, the Hedging Agreements, the CTA, the Issuer/Anglian Water Loan Agreement, the Anglian Water Loan Notes, the Initial Authorised Loan Agreement, the Bridging Facility Agreement, the Liquidity Facility Agreements, the Agency Agreement, the Existing Agency Agreements, the Master Definitions Agreements, the Account Bank Agreement, the CP Document, the Note Purchase Agreement, any other Authorised Credit Facilities, the Indemnification Deed, the Tax Deed of Covenant, the Programme Agreement and each agreement or other Bond between Anglian Water or the Issuer (as applicable) and an additional Secured Creditor designated as a Finance Document by Anglian Water or the Issuer (as applicable) and such additional Secured Creditor in the Accession Memorandum for such additional Secured Creditor;

"**Finance Lease Documents**" means each Finance Lease together with any related or ancillary documentation;

"**Finance Leases**" means the New Finance Lease and any new finance lease entered into by Anglian Water or the Issuer in respect of plant, machinery, software, computer systems or equipment (the counterparty to which has acceded to the terms of the STID and the CTA and has agreed to be bound by the terms of Part 2 of schedule 14 (*Finance Lease Terms*) of the CTA) permitted to be entered into under the terms of the CTA, each a "**Finance Lease**";

"**Finance Lessors**" means the Existing Finance Lessor, the New Finance Lessor and any other person entering into a Finance Lease with Anglian Water, as permitted by the CTA and the STID, who accedes to the STID and the CTA as a Finance Lessor (each a "**Finance Lessor**");

"**Finance Party**" means any person providing financial accommodation pursuant to an Authorised Credit Facility including all arrangers, agents and trustees appointed in connection with any such Authorised Credit Facilities;

"**Financial Guarantor**" means any person, including the Initial Financial Guarantor, which provides a financial guarantee insurance policy, including the Bond Policies, in respect of any of the Wrapped Debt, and "**Financial Guarantors**" means all of them if there is more than one at any time;

"**Financial Indebtedness**" means 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, 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 (otherwise 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 Anglian Water Services 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;

(k) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; or

(l) any guarantee, indemnity or similar assurance against financial loss of any person in respect of any item referred to in paragraphs (a) to (k) above;

"**Financial Year**" means the 12 months ending on the 31 March in each year or such other period as may be approved by the Security Trustee;

"**First Replacement Tax Deed of Covenant**" means the deed of covenant entered into on 7 December 2006 between, *inter alios*, the Security Trustee and the Obligors;

"**Fitch**" means Fitch Ratings Limited;

"**FRS101**" means Financial Reporting Standard 101 (Reduced Disclosure Framework) issued by the Financial Reporting Council;

"**FSMA**" means the United Kingdom Financial Services and Markets Act 2000, as amended;

"**G-SIBs**" means Global Systemically Important Banks;

"**GHG**" means greenhouse gas;

"**Global Bond**" means a Temporary Bearer Global Bond and/or a Permanent Bearer Global Bond and/or a Regulation S Global Bond and/or a Rule 144A 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 that 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 having regard to the regulatory pricing allowances and practices in the United Kingdom's regulated water and water recycling industry at the relevant time;

"**Government**" means the government of the United Kingdom;

"**Guarantor**" means each of the Obligors except the Issuer and together they shall be the Guarantors;

"**Hedge Counterparty**" means any counterparty to a Hedging Agreement which is or becomes a party to the STID in accordance with the STID, including the Existing Hedge Counterparties, Abbey National Treasury Services plc, BNP PARIBAS, Commonwealth Bank of Australia, Lloyds Bank Corporate Markets plc, Morgan Stanley & Co. International Limited and National Australia Bank Limited. J.P. Morgan Securities plc and Deutsche Bank AG, London Branch are power hedge counterparties and have not acceded to the STID, but are included within the definition of "Hedge Counterparties" as power hedging is expressly included in the STID documentation and "**Hedge Counterparties**" means any or all parties as the context requires;

"**Hedging Agreement**" means:

(a) the Existing Hedging Agreements;

(b) any Treasury Transaction entered or to be entered into by the Issuer with Hedge Counterparties in accordance with the Hedging Policy (the counterparties to which have acceded to the terms of the STID and the CTA and agreed to be bound by the terms of schedule 8 (*Hedging Policy and Overriding Provisions relating to Hedging Agreements*) of the CTA); and

(c) any other Treasury Transaction (the counterparties to which have acceded to the terms of the STID and the CTA and agreed to be bound by the terms of schedule 8 (*Hedging Policy and Overriding*

Provisions relating to Hedging Agreements) of the CTA) designated a Hedging Agreement by the Security Trustee and the Issuer;

"**Hedging Policy**" means the initial hedging policy applicable to Anglian Water and the Issuer set out in schedule 8 (*Hedging Policy and Overriding Provisions relating to Hedging Agreements*) of the CTA as such hedging policy may be amended from time to time by agreement between the Security Trustee and the Issuer in accordance with the STID;

"**HICP**" means the Non-revised index of Consumer Prices excluding tobacco, or the relevant successor index, measuring the rate of inflation in the European Monetary Union excluding tobacco published by Eurostat;

"**Holding Company**" means a holding company within the meaning of the Companies Act;

"**I&I Agreement**" means each insurance and indemnity agreement (or similarly named agreement) between, *inter alios*, the Issuer and a Financial Guarantor in connection with a particular Series of Class A Wrapped Bonds;

"**IFRIC**" means the International Financial Reporting Interpretations Committee;

"**IFRS**" means the International Financial Reporting Standards as issued by the International Accounting Standard Board and as endorsed by the European Commission;

"**Indemnification Deed**" means the deed so named and dated on or about the Effective Date between the Obligors, any Financial Guarantor and the Dealers;

"**Independent Review**" means an independent review resulting from a Trigger Event as defined in Chapter 6.5.8 (iii), "*Financing Structure – Common Terms Agreement – Trigger Event Consequences – Independent Review*";

"**Initial Authorised Credit Facility Agent**" means Barclays Bank PLC or any successor thereto;

"**Initial Authorised Credit Facility Arranger**" means Barclays Capital, or any successor thereto;

"**Initial Bond Policies**" means the financial guarantee policies issued by the Initial Financial Guarantor (subject to the satisfaction of certain conditions) in connection with the first Series of Wrapped Bonds;

"**Initial Financial Guarantor**" means MBIA UK Insurance Limited;

"**Insolvency Act**" means the Insolvency Act 1986;

"**Insolvency Act 2000**" means the Insolvency Act 2000, certain provisions of which were brought into force on 1 January 2003;

"**Insolvency Event**" means, in respect of any company:

(a) the initiation of or consent to Insolvency Proceedings by such company or any other company or the presentation of a petition for the making of an administration order and, in the opinion of the Security Trustee, such proceedings not being disputed in good faith with a reasonable prospect of success;

(b) the making of an administration order in relation to such company;

(c) an encumbrancer (excluding in relation to the Issuer, the Bond Trustee or any receiver) 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 part of the undertaking or assets of such person (excluding in relation to the Issuer, the Security Trustee or any receiver) 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, 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) a meeting is convened for the purpose of considering a resolution or an effective resolution is passed or an order is made by a court of competent jurisdiction for the winding-up or dissolution of such company (except, in the case of the Issuer, a winding-up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Security Trustee or by an Extraordinary Resolution);

(g) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company;

(h) save as permitted in the STID, the cessation or suspension of payment of its debts generally or a public announcement by such person of an intention to do so; or

(i) save as provided in the STID, a moratorium is declared in respect of any indebtedness of such person;

"**Insolvency Official**" means, in respect of any company, a liquidator, provisional liquidator, administrator, Special Administrator, administrative receiver, receiver or 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 the winding-up, dissolution, administration or special administration of a company, corporation or other person or any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is incorporated or of any jurisdiction in which such company or corporation carries on business, including the seeking of liquidation, winding-up, reorganisation, dissolution, administration, special administration, arrangement, adjustment, protection or relief of debtors;

"**Institutional Accredited Investor**" means an institutional investor that qualifies as an "accredited investor" (as defined in Rule 501(a)(l), (2), (3) or (7) under the Securities Act) and that is not a QIB;

"**Instructing Group**" means the Class A DIG;

"**Instrument of Appointment**" or "**Licence**" means the Instrument of Appointment dated August 1989 under sections 11 and 14 of the Water Act 1989 (as in effect on 1 August 1989) under which the Secretary of State for the Environment appointed Anglian Water as a water and water recycling undertaker under that Act for the areas described in the Instrument of Appointment as modified or amended from time to time;

"**Insurance Distribution Directive**" means Directive (EU) 2016/97, as amended;

"**Intercompany Loan**" means the principal amount of all advances from time to time outstanding under the Intercompany Loan Arrangements;

"**Intercompany Loan Arrangements**" means the Issuer/Anglian Water Loan Agreement and/or the Anglian Water Loan Notes, as the context requires;

"**Intercreditor Arrangements**" means the arrangements between the Secured Creditors of the Anglian Water Services Financing Group in the STID summarised in Chapter 6.3, "*Financing Structure – Security Trust and Intercreditor Deed*";

"**Interest Payment Date**" means any date upon which interest or payment equivalent to interest becomes payable under the terms of any Authorised Credit Facility;

"**Interest Rate Hedging Agreement**" means a Treasury Transaction to swap interest or other rates, including any RPI Linked Hedging Agreement or any other Hedging Agreement specified as such in the relevant Accession Memorandum to the STID;

"**Interim Determination**" means an interim determination as provided for in Part IV of Condition B of the Instrument of Appointment;

"**Investment Company Act**" means the U.S. Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder;

"**Investment Grade**" means a rating of at least BBB- by Fitch, or Baa3 by Moody's;

"**Investors Report**" means each report produced by Anglian Water and the Issuer within the earlier of 45 days after publication of the relevant Financial Statements or 180 days from 31 March or 90 days from 30 September in each year in respect of the immediately preceding calendar half year starting with 30 September 2002, in substantially the form set out in the CTA provided that ratio calculations will be adjusted only for every second Investors' Report;

"**IP**" means intellectual property;

"**IRB Approach**" means the Internal Ratings Based approach for the calculation of risk weighted assets under the Basel framework;

"**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 Anglian Water in Ofwat's most recent Final Determination adjusted as appropriate for any subsequent Interim Determination and for Out-turn Inflation;

"**IRE Expensed**" means any infrastructure renewals expenditure reclassified as operating cost as a result of changes in accounting standards from U.K. GAAP to IFRS (whether by convergence or otherwise);

"**Issue Date**" means a London Business Day which is the date of issue of any Series of Bonds or the date upon which all conditions precedent to any other Authorised Credit Facility have been fulfilled or waived and the Issuer makes a utilisation of that facility;

"**Issuer**" means Anglian Water Services Financing Plc;

"**Issuer/Anglian Water Loan Agreement**" and "**Issuer/AWS Loan Agreement**" means the loan agreement entered into between the Issuer and Anglian Water on 30 July 2002 as more particularly defined in Chapter 6.4.2, "*Financing Structure – Intercompany Loan Arrangements – Issuer/Anglian Water Loan Agreement*";

"**IT**" means information technology;

"**IWC**" means the Independent Water Commission established on 23 October 2024 to conduct a review of the water sector and its regulation, chaired by Sir Jon Cunliffe, which published its final report on 21 July 2025;

"**K**" means the adjustment factor set for each year by Ofwat with respect to Network Plus Water Activities and Network Plus Wastewater Activities by which charges to be levied by and/or revenue allowed to Regulated Companies for such activities may be increased, decreased or kept constant;

"**Key Performance Indicator**" or "**KPI**" means each of the key performance indicators to which the Step Up Bonds are linked, being Net Operational Carbon Emissions, Capital Carbon Emissions, Natural Household Water Abstraction and PSR Adoption;

"**Lease Calculation Cashflow**" means, in respect of any Test Period 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 and schedule 14 (*Finance Lease Terms*) of the CTA and, in the case of an Additional Secured Creditor, in accordance with 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 Test Period or, as the case may be, the Pre-Test Period under the heading "interest" (or the equivalent thereof (howsoever worded)) in such cashflow statement, a rate of LIBOR, estimated, as at its Lease Calculation Date, by reference to the average of those rates per annum being offered by the reference banks specified in the relevant finance lease (or where there is none, Barclays Bank PLC and Citibank N.A.) 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 Anglian Water and the relevant Finance Lessor (provided that, where any Finance Lease contains Rentals which are calculated by reference to a fixed rate of interest, any Lease Calculation Cashflow produced in respect of that Finance Lease shall reflect the actual fixed rate of interest implicit in such Rental calculations), provided that where in respect of any Finance Lease there has been a change of assumption resulting in an increase or decrease in the Rental payable thereunder during any Test Period 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 in accordance with the terms of that Finance Lease and schedule 14 (*Finance Lease Terms*) of the CTA or, as the case may be, that 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 the Existing Finance Lease:

(a) the Effective Date;

(b) the date falling 10 days before the rental payment date immediately preceding 1 April 2003; and

(c) each yearly anniversary of the date referred to in (b) above,

and in respect of any Finance Lease which is not the Existing Finance Lease:

(x) the date of the Accession Memorandum executed by the relevant Finance Lessor relating to such Finance Lease;

(y) the date falling 10 days before the rental payment date immediately preceding the commencement date of the first Test Period to commence immediately after the date referred to in (x) above; and

(z) each yearly anniversary of the date referred to in (y) above,

save that where any date referred to in (b), (c), (x), (y) or (z) above 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, 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 in respect of such Test Period or, as the case may be, the Pre-Test Period (inclusive of value added tax) (after adding back any additional rentals (inclusive of value added tax) payable and deducting any estimated rental rebates (inclusive of any credit for value added tax), in each case as determined in accordance with the provisions of the relevant Finance Lease);

"**Lease Termination Agreement**" means the termination agreement dated 30 November 2021 in respect of the Existing Finance Lease.

"**Letter(s) of Credit**" means an on demand irrevocable letter(s) of credit provided by a LC Provider (as defined in the Deed of Indemnity) in favour of either the Security Trustee or AWS in a form satisfactory to the Security

Trustee provided that, if any Letter(s) of Credit are provided in favour of AWS, AWS shall provide first ranking fixed charge security over such Letter(s) of Credit in favour of the Security Trustee that will be duly filed in the prescribed form by AWS with the Registrar of Companies within the prescribed time limits and shall further provide a legal opinion addressed to the Security Trustee, in a form and content satisfactory to the Security Trustee, confirming the efficacy of such first ranking fixed charge security;

"**Liquidity Facility**" means a Debt Service Reserve Liquidity Facility or an O&M Reserve Facility made available under a Liquidity Facility Agreement and "**Liquidity Facilities**" means all of them;

"**Liquidity Facility Agent**" means in respect of the Debt Service Reserve Liquidity Facility Agreements and the O&M Reserve Facility Agreement, Barclays Bank PLC;

"**Liquidity Facility Agreements**" means the Debt Service Reserve Liquidity Facility Agreements and the O&M Reserve Facility Agreement;

"**Liquidity Facility Provider**" means any lender or financial guarantee provider from time to time under a Liquidity Facility Agreement, including the Debt Service Reserve Liquidity Facility Provider and the O&M Reserve Facility Provider;

"**Liquidity Facility Requisite Ratings**" means (i) the Minimum Short-term Rating or such other short-term rating requirements (if any) in order to support the then current ratings of the Bonds of not less than two of the Rating Agencies, and/or (ii) a minimum long- term rating of at least "A" from Fitch and S&P and at least "A2" from Moody's from at least two Rating Agencies;

"**Local Authority Loan**" means the local authority loan in the amount of approximately £195,000 provided to AWS by Castle Point Borough Council;

"**London Business Day**" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London;

"**London Stock Exchange**" means the London Stock Exchange plc;

"**Majority Creditors**" means Class A DIG Representatives in respect of more than 50 per cent. of the Voted Qualifying Class A Debt or following the repayment in full of the Class A Debt, in each case subject to Clause 8 (Modifications, Consents and Waivers) and Clause 9 (Voting Instructions and Notification of Outstanding Principal Amounts of Qualifying Debt) of the STID;

"**Make-Whole Amount**" means the Make-Whole Amount as defined in the Conditions and/or the Note Purchase Agreement relating to the USPP 2001 Bonds and any other amount above par payable on redemption of any Class A Debt except where such amount is limited to accrued interest;

"**Master Definitions Agreement**" means the Master Definitions Agreement dated 30 July 2002 between the Obligors and the other parties named therein as amended by an amending agreement to the Master Definitions Agreement dated on or about 2 October 2006 and as subsequently amended on 7 December 2006;

"**Material Adverse Effect**" means the effect of any event or circumstance which is materially adverse, taking into account the timing and availability of any rights or remedies under the WIA or the Instrument of Appointment, to:

(a) the business, property, operations or financial condition of Anglian Water or of the Anglian Water Services Financing Group as a whole;

(b) the ability of any member of the Anglian Water Services Financing Group to perform its 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 Anglian Water to perform or comply with any of its obligations under the Instrument of Appointment or the WIA;

"**Material Agreement**" means any Tier 1 Material Agreement or Tier 2 Material Agreement;

"**Material Entity Event**" means any of the events or circumstances in schedule 2 to the CTA and described in Chapter 6.5.11, "*Financing Structure – Common Terms Agreement – Material Entity Events*";

"**Maturity Date**" means the date on which a Bond is expressed to be redeemable or any other Authorised Credit Facility is expressed to be repayable in full;

"**Maximum Early Redemption Amount**" meant the aggregate of all Early Redemption Amounts which would become payable upon redemption of USPP 2001 Bonds following the occurrence of an Early Redemption Event, assuming the holders of all USPP 2001 Bonds which were entitled to do so elected to have their USPP 2001 Bonds redeemed as a result of an Early Redemption Event occurring;

"**MBIA**" means MBIA UK Insurance Limited (now known as Assured Guaranty (London) plc), and from 16 October 2018 under a court order from the Business and Property Courts of England and Wales, Assured Guaranty UK Limited;

"**MBIA Make-Whole Amount**" means the amount of market value in excess of par paid out by MBIA in respect of £100,000,000 12 per cent. bonds due 2014, as further defined in the Bond Policy relating to such bonds;

"**MiFID II**" means Directive 2014/65/EU, as amended;

"**MiFID Product Governance Rules**" means the product governance rules under EU Delegated Directive 2017/593;

"**Minimum Long-term Rating**" means, in respect of any person, such person's long-term unsecured debt obligations being rated, in the case of Moody's, "Aa3"; and in the case of Fitch, "AA- "

"**Minimum Short-term Rating**" means, in respect of any person, such person's short-term unsecured debt obligations being rated at least:

(a) in the case of Moody's, "Prime-1",

(b) in the case of Fitch, "F-l", by any two Rating Agencies.

"**Monthly Payment Amount**" means the amount paid on a monthly basis by Anglian Water to the Debt Service Payment Account, as referred to in Chapter 6.6.3, "*Financing Structure – Cash Management – Payment Account*";

"**Moody's**" means Moody's Investors Service Limited;

"**National Westminster Bank**" means National Westminster Bank Plc;

"**National Westminster Bank Authorised Loan Facility**" means the term loan facility agreement provided to the Issuer by National Westminster Bank;

"**NAV**" or "**New Appointment and Variation**" means an inset appointment or variation of an appointment under section 7 of the WIA under which one company replaces another as the statutory undertaker for water or water recycling in a specified geographical area previously within the other Regulated Company's appointed territory;

"**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 AWS 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, any customer rebates, any recoverable VAT, any capital maintenance

expenditure, any movement in debtors and/or creditors relating to capital expenditure and IRE Expensed) minus corporation tax paid; and

(b) in respect of any forward looking element of a Test Period shall have the same meaning set out in the above paragraph (a) save that that paragraph (a) shall be amended by adding the words "less any net cash flow from operating activities of its business other than its Regulated Business and after adding back corporation tax paid arising as a result of such businesses" after the words "corporation tax paid";

"**New Finance Lease**" means the lease between Anglian Water and the New Finance Lessor which was entered into on 17 April 2009 as amended, supplemented, assigned and novated prior to the Effective Date;

"**New Finance Lessor**" means Lombard Business Leasing Limited which leases or agrees to lease Equipment to Anglian Water, under the terms of the New Finance Lease, including any of its successors or assigns;

"**New Money Advance**" means any drawing during a Standstill under a Liquidity Facility or any Authorised Credit Facility which is not made (or to the extent not made) for the purpose of refinancing a maturing Advance under such Liquidity Facility or refinancing a drawing under such Authorised Credit Facility;

"**NGN**" means new global note;

"**Non-Regulatory Allowable Expense**" means any expense incurred in connection with activities that are not the subject of, or fall outside the scope of, any Periodic Review;

"**Note Purchase Agreement**" means the note purchase agreement dated 25 July 2001 pursuant to which Anglian Water issued the USPP 2001 Bonds;

"**Notified Item**" means any item formally notified by Ofwat to the Regulated Company as not having been allowed for in-price controls made pursuant to the prior relevant Periodic Review or Interim Determination;

"**Notional Amount**" means, in respect of any Finance Lease, a sum, certified by any duly 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, 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 the relevant Lease Calculation Cashflow, together with an amount equal to VAT on such amount at the rate applicable to rentals payable under the relevant Finance Lease;

"**NPV**" means, in respect of any amount payable or receivable at a future date, such amount discounted back to the date of calculation on an annual basis at the long term weighted average cost of funds of Anglian Water calculated on the basis of all Financial Indebtedness of Anglian Water having a residual maturity in excess of 12 months and the applicable rates of interest thereon;

"**O&M Reserve Account**" means the account of Anglian Water entitled "O&M Reserve Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

"**O&M Reserve Facility**" means an operation and maintenance reserve liquidity facility made available under a Liquidity Facility Agreement;

"**O&M Reserve Facility Agreement**" means an agreement establishing an O&M Reserve Facility (as may be amended and/or restated from time to time) as more particularly described in Chapter 6.9.3, "*Financing Structure – Additional Resources Available – The Liquidity Facilities*";

"**O&M Reserve Facility Provider**" means the provider of the O&M Reserve Facility from time to time;

"**Obligor**" means any member of the Anglian Water Services Financing Group and "**Obligors**" means all of them;

"**OEP**" means the Office for Environmental Protection;

"**Official List**" means the official list of the FCA;

"**Ofwat**" means the WSRA;

"**OHL-AWS Subordinated Loan**" shall have the meaning given to such term in Chapter 6.9.4, "*Financing Structure – Additional Resources Available – OHL-AWS Subordinated Loan*";

"**Ordinary Distribution**" means a Distribution which is paid out of Net Cash Flow generated, but taking account of interim dividends, during the 12 months up to 31 March (being the final dividend for that Financial Year) or Net Cash Flow generated during the six months up to 30 September (being the interim dividend for the first half of that Financial Year);

"**Original Lender**" means a lender under the Bridging Facility;

"**Original Tax Deed of Covenant**" means the deed of covenant entered into on or about the Effective Date between, *inter alios*, the Security Trustee and the Obligors;

"**Osprey**" means Osprey Acquisitions Limited, a company incorporated under the laws of England and Wales, indirectly wholly owned by the members of the Consortium;

"**Outsourcing Agreement**" means any agreement pursuant to which Anglian Water sub-contracts, tenders or outsources either the day-to-day operation of its assets and service delivery (including any maintenance expenditure) that Anglian Water could, if not outsourced, perform itself and which has (or would have were it entered into on arm's length terms) an annual value in excess of £100,000 (indexed);

"**Outsourcing Policy**" means each of the obligations in schedule 9 (*Outsourcing Policy*) of the CTA;

"**Outstanding Principal Amount**" means, as at any date that the same falls to be determined:

(a) in respect of Wrapped Bonds prior to the occurrence of an FG Event of Default which is continuing, the aggregate of any unpaid amounts owing to a Financial Guarantor under an I&I Agreement to reimburse it for any amount paid by it under a Bond Policy in respect of unpaid principal on a Wrapped Bond and the principal amount outstanding (or the Equivalent Amount) of the Wrapped Bonds (including any premium);

(b) in respect of Wrapped Bonds after an FG Event of Default which is continuing, the principal amount outstanding (or the Equivalent Amount) of the Wrapped Bonds (including any premium);

(c) in respect of Unwrapped Bonds, the principal amount outstanding (or the Equivalent Amount) of the Unwrapped Bonds (including any premium);

(d) in respect of any Authorised Credit Facilities that are loans, the principal amount (or the Equivalent Amount) of any drawn amounts that are outstanding;

(e) in respect of each Finance Lease, the Equivalent Amount of either (i) prior to an Acceleration of Liabilities (other than a Permitted Lease Termination) 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 cash flow report which is current on such date) or (ii) following any Acceleration of Liabilities (other than a Permitted Lease Termination), 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); and

(f) in respect of any other Secured Liabilities, the Equivalent Amount of the outstanding principal amount of such debt on such date in accordance with the relevant Finance Document,

all as most recently certified or notified to the Security Trustee, where applicable, pursuant to clause 9.9 (Notification of Outstanding Principal Amount of Qualifying Debt) of the STID;

"**Out-turn Inflation**" means, in respect of any period for which the relevant indices have been published, the actual inflation rate applicable to such period determined by reference to movements in the RPI 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) relative to the RPI 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;

"**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;

"**Paying Agents**" means, in relation to all or any Series of the Bonds, the several institutions (including, where the context permits, the Principal Paying Agent) at their respective specified offices initially appointed as paying agents in relation to such Bonds by the Issuer and the Obligors pursuant to the Agency Agreement and/or, if applicable, any successor paying agents at their respective specified offices in relation to all or any Series of the Bonds;

"**Payment Account**" means the account of Anglian Water titled "Payment Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

"**Payment Date**" means each date on which a payment is made or is scheduled to be made by any Obligor in respect of any obligations or liabilities under any Authorised Credit Facility;

"**Payment Priorities**" means the provisions relating to the order of priority of payments set out in Chapter 6.6.5, "*Financing Structure – Cash Management – Debt Service Payment Account*";

"**PCDs**" means the price control deliverables introduced by Ofwat at PR24;

"**Pension Scheme**" means the Anglian Water Group Pension Scheme, a retirement benefit arrangement in which the Anglian Water Group companies participate;

"**Periodic Review**" means the periodic review of Price Controls (as that term is defined in the Instrument of Appointment) as provided for in Part III of Condition B of the Instrument of Appointment;

"**Permanent Bearer Global Bond**" means a global bond comprising some or all of the Bearer Bonds of the same Series issued by the Issuer in exchange for the whole or part of any Temporary Bearer Global Bond issued in respect of such Bearer Bonds;

"**Permitted Acceleration**" means an acceleration of certain share pledges permitted pursuant to the STID;

"**Permitted Acquisition**" means any of the following carried out by Anglian Water:

(a) acquisitions (including Authorised Investments) made on arm's length terms and in the ordinary course of trade;

(b) acquisitions of assets required to replace surplus, obsolete, worn-out, damaged or destroyed assets which in the reasonable opinion of Anglian Water are required for the efficient operation of its Business or in accordance with the Finance Leases; or

(c) acquisitions of assets (but not companies or joint ventures) made on arm's length terms entered into for *bona fide* commercial purposes in furtherance of Anglian Water's statutory and regulatory obligations,

but not an acquisition of a water business or interest therein (except (i) for NAV business in the United Kingdom which is or will be included in RCV and which breaches neither the Instrument of Appointment nor the Act or (ii) with the prior consent of the Security Trustee and each Financial Guarantor or any acquisition by an Obligor required in connection with the Permitted Reorganisation);

"**Permitted Book Debt Disposal**" means the disposal (with the prior consent of the Security Trustee and each Financial Guarantor) of book debts by Anglian Water on arm's length terms to any person other than an Affiliate, provided that where such book debts are sold on recourse terms:

(a) Anglian Water has made a prudent provision in its accounts against the non-recoverability of such debts;

(b) the recourse period does not exceed 24 months;

(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 Anglian Water has expired; and

(d) the Anglian Water Business Financial Model is updated to ensure the transaction is taken into account in calculating all relevant financial ratios under the CTA;

"**Permitted Demerger**" means a demerger, reconstruction, scheme of arrangement or other like process immediately following which either (i) no person Controls Anglian Water Services Holdings Limited or (ii) all of Anglian Water Services Holdings Limited's shares (or the shares of any company of which Anglian Water Services Holdings Limited is a direct or indirect wholly-owned subsidiary) are held by the then existing shareholders of AWG Parent Co Limited;

"**Permitted Disposal**" means any disposal made by Anglian Water 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 the Finance Leases;

(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 less than or equal to 0.9:1;

(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 Anglian Water, are not required for the efficient operation of its Business and which does not cause a Trigger Event under paragraph 1 of schedule 6, Part 1 of the CTA;

(f) is a Permitted Book Debt Disposal;

(g) is a disposal of Protected Land (as that term is defined in the Act) in accordance with the terms of the Instrument of Appointment;

(h) is a disposal or surrender of tax losses which is a Permitted Tax Loss Transaction; or

(i) is any other disposal which is in accordance with the Instrument of Appointment provided that the consideration (both cash and non-cash) received by Anglian Water (or which would be received

by Anglian Water 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 (y) the immediately preceding 12-month period does not exceed 2½ per cent. of RCV (or its equivalent) and (z) in the immediately preceding five-year period does not exceed 10 per cent. of RCV (or its equivalent),

and any disposal by an Obligor required in connection with the Permitted Reorganisation, provided that in each case such disposal does not cause the Trigger Event Ratio Levels to be breached;

"**Permitted EIB Compulsory Prepayment Event**" means, notwithstanding Clause 7 of the CTA, in the case of an Authorised Credit Facility to be provided by the EIB to any Obligor after 1 January 2011, a demand for prepayment or payment of such Authorised Credit Facility by the EIB, provided that:

(i) such demand may only be made if the Credit (as defined in such Authorised Credit Facility) (when aggregated with the amount of any other credit made available from the EIB for the purposes of the Project (as defined in such Authorised Credit Facility)) exceeds 50 per cent. of the total cost of the Project (as defined in such Authorised Credit Facility);

(ii) such demand is made in accordance with the relevant compulsory prepayment provision under such Authorised Credit Facility;

(iii) no Trigger Event, no Event of Default and no Potential Event of Default is subsisting or would occur as a result of a payment following such demand;

(iv) the maximum aggregate amount to be paid to the EIB under such demands in any one financial year in respect of any one Authorised Credit Facility is the sum of:

(A) £50 million; and

(B) the Discretion Amount, provided that:

(a) each of the Security Trustee and the Financial Guarantor(s) has been provided with (A) a certificate from Issuer confirming that paragraphs (i) and (ii) above apply and (B) an acknowledgement from the EIB should such conditions in paragraphs (i) and (ii) be met;

(b) the aggregate of all Discretion Amounts in such financial year in respect of such Authorised Credit Facility does not exceed £5 million; and

(c) the Rating Requirement has been met in respect of such Discretion Amount,

and for the purposes of this paragraph (iv), "**Discretion Amount**" means the amount agreed by the Financial Guarantor(s) (acting reasonably and having regard to the financial condition of the Obligors); and

(v) notwithstanding any provision in such Authorised Credit Facility, such demand is made no later than 12 months after the date of the delivery of the certificate from Issuer to the EIB confirming the completion of the Project (as defined in such Authorised Credit Facility) unless Issuer obtains the prior consent of the Majority Creditors;

"**Permitted Emergency Action**" means any remedial action taken by Anglian Water during an Emergency which is in accordance with the policies, standards and procedures for emergency planning manual (EMPROC) of Anglian Water (as amended from time to time), Ofwat guidance notes and Public Procurement Rules and which

Anglian Water considers necessary and which continues only so long as required to remedy the Emergency but in any event no longer than 28 days or such longer period as is agreed by Anglian Water, the Security Trustee and each Financial Guarantor;

"Permitted Enhancement Capex Financial Indebtedness" has the meaning given to it in Chapter 6.5.5(vii), "*Financing Structure – Common Terms Agreement – Covenants - General*";

"**Permitted Exchange**" means a formal exchange offer or other approach to existing Bondholders by, or on behalf of, the Issuer to exchange Bonds held by such Bondholders for new Bonds issued under the Programme and any related amendments to the Conditions of such Bonds agreed to by the holders of such Bonds in accordance with the terms of the Bond Trust Deed;

"**Permitted Existing Non-Statutory Business**" means any business other than the Regulated Business which is carried on by Anglian Water at the Effective Date and (a) which falls within the Permitted Non-Statutory Business Limits applicable to Permitted Existing Non-Statutory Business, (b) in respect of which all material risks related thereto are fully insured and (c) which does not give rise to any material, actual or contingent liabilities for Anglian Water that are not properly provided for in its financial statements;

"**Permitted Financial Indebtedness**" means:

(a) Financial Indebtedness incurred under the Intercompany Loan Arrangements or the UK Holdco/ Anglian Water Loan;

(b) Financial Indebtedness incurred under any Finance Document as at the Effective Date;

(c) Financial Indebtedness incurred under a Treasury Transaction provided it is in compliance with the Hedging Policy;

(d) the Local Authority Loan provided that the aggregate amount thereof does not exceed the amount at the date of the CTA;

(e) any unsecured indebtedness which is fully subordinated to the Class A Debt in a manner satisfactory to the Security Trustee provided that the aggregate amount of such Financial Indebtedness, when aggregated further with those amounts outstanding under the facilities referred to in paragraph (d) above, does not exceed £15,000,000 (indexed);

(f) any Subordinated Debt;

(g) such further Financial Indebtedness incurred by the Issuer or Anglian Water that complies with the following conditions:

  (i) at the time of incurrence of that Financial Indebtedness, no Default is continuing or will arise as a result of the incurrence of such Financial Indebtedness;

  (ii) the Financial Indebtedness is made available pursuant to an Authorised Facility Agreement the counterparty to which has acceded to the CTA and STID;

  (iii) as a result of the incurrence of the Financial Indebtedness:

    (A) Anglian Water and the Issuer will not be in breach of its covenant to maintain the Debt Service Reserve Liquidity Facility to the required level as more particularly described in paragraph (ii)(a) of Chapter 6.5.6, "*Financing Structure – Common Terms Agreement – Financial Covenants*" and its covenant to ensure scheduled final repayments are controlled, as more particularly described in paragraph (vi)(e) of Chapter 6.5.5, "*Financing Structure – Common Terms Agreement – Covenants – General*";

(B) no Authorised Credit Provider will have better or additional Entrenched Rights under the STID than those Authorised Credit Providers 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 8 of Schedule 12 to the CTA) with all other Class A Debt in its category of Class A Debt;

(v) if such further Financial Indebtedness is Class A Debt then the Senior RAR (adjusted on a proforma basis to take into account the proposed incurrence of such further Financial Indebtedness) must be less than or equal to 0.90: 1 for each Test Period calculated by reference to the then most recently occurring Calculation Date;

(vi) if such further Financial Indebtedness is Class A Debt then (taking into account the incurrence of such debt) the Class A RAR must be less than or equal to 0.75:1 and the Class A PMICR must be greater than or equal to 1.30:1 for each Test Period calculated by reference to the then most recently occurring Calculation Date;

(vii) 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 £570,000,000 (indexed); and

(viii) if such further Financial Indebtedness is Class A Debt then (taking into account the incurrence of such debt) the Conformed Class A PMICR must be greater than or equal to 1.30:1 for each Test Period calculated by reference to the then most recently occurring Calculation Date;

(h) Financial Indebtedness incurred with the consent of the Security Trustee and each Financial Guarantor.

For the purposes of this definition only, the termination sums payable under a Treasury Transaction that has been terminated shall not be treated as Financial Indebtedness and the occurrence of such event shall not be construed as the incurrence of Financial Indebtedness;

"**Permitted Hedge Termination**" means the termination of a Hedging Agreement in accordance with the CTA;

"**Permitted Joint Venture**" means, after the Effective Date, the financing, development, design, carrying out and management by or on behalf of Anglian Water of any new joint venture to which the Security Trustee and each Financial Guarantor has consented (such consent not to be unreasonably withheld) pursuant to the terms of the CTA and the operation by or on behalf of Anglian Water of that joint venture in accordance with the criteria set out in the CTA and, in relation to any Existing Joint Venture, the above-mentioned terms do not apply;

"**Permitted Lease Termination**" means any termination of the leasing (or the prepayment of Rentals arising by reason of such termination) of all or any part of the Equipment 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 Anglian Water or the Issuer (as applicable) will not make payment to the relevant Finance Lessor of any sums due and payable under the relevant Finance Lease in respect of such total loss if (i) an Acceleration of Liabilities has occurred or (ii) a Default Situation is subsisting or would occur as a result of such payment;

(b) *Illegality*: Pursuant to any provision of a Finance Lease which permits the relevant Finance Lessor to terminate the leasing of the Equipment thereunder and to require payment of a termination sum or sums where it is unlawful for such Finance Lessor to continue to lease the relevant Equipment save that Anglian Water or the Issuer (as applicable) will not make payment to the relevant Finance Lessor of any sums due and payable under the Finance Lease in respect of such circumstances if either (i) an Acceleration of Liabilities 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 Anglian Water or the Issuer (as applicable) will be entitled to voluntarily terminate (and require payment of a termination sum), or prepay the Rentals due to, the leasing of certain Equipment under such Finance Lease provided that (i) no Acceleration of Liabilities has occurred or (ii) no Default Situation is subsisting or would occur as a result of such prepayment or termination;

"**Permitted New Non-Statutory Business**" means any business other than the Regulated Business and Permitted Existing Non-Statutory Business provided that (a) such business: (i) requires the utilisation of assets or resources that are already owned or controlled by Anglian Water; (ii) is prudent in the context of the overall business of Anglian Water and continues to be prudent for the duration of that Permitted New Non-Statutory Business; (iii) is not reasonably likely to be objected to by Ofwat; and (iv) falls within the Permitted Non- Statutory Business Limits applicable to Permitted New Non-Statutory Business; (b) all material risks related thereto are fully insured; and (c) such business does not give rise to any material actual or contingent liabilities for Anglian Water that are not properly provided for in its financial statements;

"**Permitted Non-Statutory Business**" means Permitted Existing Non-Statutory Business and Permitted New Non-Statutory Business;

"**Permitted Non-Statutory Business Limits**" means, in respect of Permitted Non-Statutory Business, that the aggregate Non-Regulatory Allowable Expense in any Test Period does not exceed 2.5 per cent. of Cash Expenses of Anglian Water in that period;

"**Permitted Reorganisation**" means Anglian Water Services UK Parent Co Limited becoming an Obligor and the immediate Holding Company of Anglian Water, and Anglian Water Services Overseas Holdco Limited ceasing to be an Obligor and the immediate Holding Company of Anglian Water, substantially by means of the transactions described in and carried out pursuant to the STID Proposal from AWS dated 29 March 2018;

"**Permitted Security Interest**" means:

(1) any security interest created by any Obligor that is:

(a) a Security Interest created under the Security Documents or contemplated by the Finance Documents;

(b) any Security Interest specified in schedule 12 of the CTA as set out in Chapter 6.6, "*Financing Structure – Cash Management*", 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 Anglian Water Services Financing Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(d) a right of set-off, banker's liens or the like arising by operation of laws 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; and

(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 Anglian Water Services Financing Group in good faith and with a reasonable prospect of success;

(2) any security interest created by either Anglian Water or the Issuer that is:

(a) a security interest comprising a netting or set-off arrangement entered into under any hedge arrangement 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 hedge arrangement in respect of cash collateral or any other Security Interest except as otherwise permitted hereunder);

(f) 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;

(g) a Security Interest created over shares and/or other securities acquired in accordance with the CTA held in any clearing system or listed on any exchange which arise as a result of such shares and/or securities being so held in such clearing system or listed on such exchange as a result of the rules and regulations of such clearing system or exchange; and

(h) a Security Interest approved by the Security Trustee, the holder of which has become a party to the STID;

(3) any security interest that is created by Anglian Water that is:

(a) a Security Interest over or affecting any asset acquired on arm's length terms after the date hereof 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 Anglian Water Services Financing Group; and

(iii) unless such Security Interest falls within any of paragraphs (d) to (g) below and (A) such Security Interest is removed or discharged within three months of the date of acquisition of such asset; or (B) the holder thereof becomes party to the STID;

(b) 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;

(c) 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 (other than the Existing Finance Lease) where the counterparty becomes party to the STID;

(d) a right of set-off existing in the ordinary course of trading activities between Anglian Water and its suppliers or customers;

(e) 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 Anglian Water Group becoming aware that the amount owing in respect of such lien has become due;

(f) a Security Interest arising on rental deposits in connection with the occupation of leasehold premises in the ordinary course of business; or

(g) 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 £10,000,000 (or its equivalent) (indexed),

to the extent and for so long, in each case, as the creation or existence of such Security Interest would not contravene the terms of the Instrument of Appointment, the WIA or any requirement under the Instrument of Appointment or the WIA;

"**Permitted Tax Loss Transaction**" means any surrender of tax losses or agreement relating to tax benefit or relief (including for the avoidance of doubt an election under section 171A Taxation of Chargeable Gains Act 1992) or other agreement relating to tax between:

(a) an Obligor (other than Anglian Water or the Issuer if, in either case, it is the company making the surrender or providing the benefit or relief) and any other member of the Anglian Water Services Financing Group; or

(b) Anglian Water or the Issuer and any other member of the Anglian Water Services Financing Group or an Obligor and any other member of the Anglian Water Group (not being a member of the Anglian Water Services Financing Group) provided that:

(i) a payment is made by the company receiving the benefit, tax loss or relief made available under a transaction pursuant to paragraph (b) above (the "**Recipient Company**") which is equal to the tax saved by the Recipient Company; and

(ii) the payment for any such benefit, tax loss or relief is made within 30 days of the claim being made by the Recipient Company to include the benefit, tax loss or relief in the tax return (whether the tax return originally filed or an amendment to that tax return) it files with the HM Revenue & Customs;

"**Permitted Tender**" means a formal tender offer or other approach to existing Bondholders by, or on behalf of, the Issuer to buy back Bonds for cash and any related amendments to the Conditions of such Bonds agreed to by the holders of such Bonds in accordance with the terms of the Bond Trust Deed;

"**Permitted Volume Trading Arrangements**" means:

(a) (for the period 12 months from the Effective Date only) contracts entered into by Anglian Water with suppliers for the supply of goods and services to the Anglian Water Group and the Anglian Water Services Financing Group on terms that discounts are available as a result of such arrangements provided that any member of the Anglian Water Group making use of such arrangements agrees to reimburse and indemnify the Anglian Water Services Financing Group for any amounts payable by the Anglian Water Services Financing Group to such suppliers as a result of that member of the Anglian Water Group making use of such arrangements; and

(b) from the Effective Date, contracts entered into by the Anglian Water Group with suppliers for the supply of goods and services to the Anglian Water Group and the Anglian Water Services 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 Anglian Water Group for

any Financial Indebtedness by way of amounts payable by the Anglian Water Group to such supplier as a result of such Obligor making use of such arrangements;

"**POATRs**" means the Public Offers and Admissions to Trading Regulations 2024 (as amended);

"**Potential Event of Default**" means an event (other than in any Hedging Agreement, where "Potential Event of Default" has the meaning given to it in that Hedging Agreement) 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 an 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;

"**PR19**" means the Periodic Review conducted by Ofwat for the purpose of setting price controls for the AMP7 Period, the Final Determination for which was published on 16 December 2019

"**PR24**" means the Periodic Review conducted by Ofwat for the purpose of setting price controls for the AMP8 Period, the Final Determination for which was published on 19 December 2024 and re-determined by the CMA on 10 March 2026;

"**Pre-Test Period**" means the period from the Effective Date up to 31 March 2003;

"**Premium Letter**" means the letter or other agreement between a Financial Guarantor and one or more of the Obligors setting the terms on which premia are payable in relation to one or more Bond Policies issued or to be issued by that Financial Guarantor;

"**Pricing Supplement**" means the pricing supplement in respect of any Exempt Bonds, substantially in the form set forth in this Prospectus;

"**Principal Paying Agent**" means Deutsche Bank AG, London Branch as principal paying agent under the Agency Agreement, or its successors thereto;

"**PRM**" means the FCA Handbook Prospectus Rules: Admission to Trading on a Regulated Market sourcebook;

"**Programme**" means the €10 billion global secured medium term note programme established by the Issuer and listed on the Market;

"**Programme Agreement**" means the agreement dated on or about 2 October 2006 between the Issuer, the Obligors and the Dealers named therein (or deemed named therein) concerning the purchase of Bonds to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement and any accession letters and/or agreements supplemental thereto;

"**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 Regulation**" means Regulation (EU) 2017/1129 (as amended);

"**Protected Land**" means (as the term is defined in the WIA) any land which, or any interest or right in or over land which:

(a) was transferred to that Regulated Company in accordance with a scheme under schedule 2 to the Water Act 1989 or, where that company is a statutory water company, was held by that company at any time during the financial year ending 31 March 1990;

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

"**Public Procurement Rules**" means public procurement rules of the United Kingdom (including the Utilities Contracts Regulations 2016 (SI 2016/274)) and of the European Communities (including Directive2014/25/EU) affecting the water and water recycling 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;

"**QIBs**" means a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act;

"**Qualifying Class A Debt**" means the aggregate Outstanding Principal Amount of Class A Debt to be voted by the Class A DIG Representatives;

"**Qualifying Class A Debt Provider**" means a provider of Qualifying Class A Debt;

"**Qualifying Debt**" means the Qualifying Class A Debt;

"**RAG 5**" means Ofwat's Regulatory Accounting Guidelines 5 "*Transfer pricing in the water industry*";

"**Rating Agencies**" means Fitch, Moody's and any further or replacement rating agency appointed by the Issuer with the approval of the Security Trustee (acting upon the instructions of the Majority Creditors) to provide a credit rating or ratings for the Class A Debt and shadow ratings in respect of Class A Wrapped Debt for so long as they are willing to provide credit ratings generally (and "**Rating Agency**" means any one of them);

"**Rating Confirmation on Change of Control**" means, in respect of a UK Holdco Change of Control, confirmation from any two Rating Agencies that the shadow rating of the Class A Wrapped Bonds will not be downgraded to BBB+ in the case of Fitch or, as the case may be, Baa1 in the case of Moody's, or below;

"**Rating Requirement**" means confirmation from any two Rating Agencies that, in respect of any matter where such confirmation is required, the shadow rating is, in the case of the Class A Wrapped Debt, A- by Fitch a and A3 by Moody's or above and, in the case of the Class A Unwrapped Debt, is A- by Fitch and A3 by Moody's or above;

"**RCV**" or "**Regulatory Capital Value**" means, in relation to any date, the regulatory capital value for such date as last determined and notified to Anglian Water by Ofwat at the most recent Periodic Review or Interim Determination or other procedure through which in future Ofwat may make such determination on an equally definitive basis to that of a Periodic Review or Interim Determination (interpolated as necessary and adjusted as appropriate for Out-turn Inflation);

"**Receiptholders**" means the several persons who are for the time being holders of the Receipts;

"**Receipts Account**" means the joint account of Anglian Water and the Issuer titled "Receipts Account" held at the Account Bank and includes any sub-account relating to that account and any replacement account from time to time;

"Refinancing Debt" has the meaning given to it in Chapter 6.5.5(vii), "*Financing Structure – Common Terms Agreement – Covenants - General*";

"Refinancing Purposes" has the meaning given to it in Chapter 6.5.5(vii), "*Financing Structure – Common Terms Agreement – Covenants - General*";

"**Registered Bonds**" means those of the Bonds which are in registered form;

"**Registered Global Bonds**" means a Rule 144A Global Bond and/or a Regulation S Global Bond;

"**Registrar**" means Deutsche Bank Trust Company Americas, which will act as registrar and will provide certain registrar services to the Issuer in respect of Registered Bonds;

"**Regulated Business**" means the business of a "relevant undertaker" (as that term is defined in the WIA) in the United Kingdom carried out by Anglian Water;

"**Regulated Company**" means one of the 11 regional water and water recycling undertakers, six regional water only undertakers, and smaller water and sewerage undertakers in England and Wales holding an instrument of appointment within the scope of section 6 of the WIA, together the "**Regulated Companies**" (except as otherwise stated in Chapter 11, "*Regulation of the Water and Water Recycling Industry in England and Wales*");

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Bond**" means a global bond in registered form comprising some or all of the Registered Bonds of the same Series sold outside the United States in reliance on Regulation S;

"**Regulatory Information**" means the regulatory accounts Anglian Water is required to submit to Ofwat which are filed in June of each year;

"**Relevant Change of Circumstance**" has the same meaning as in Part IV of Condition B of the Licence;

"**Remedial Plan**" means any remedial plan agreed by Anglian Water and the Security Trustee under Part 2 of schedule 6 (*Trigger Events*) of the CTA as more particularly described in Chapter 6.5.8(ii), "*Financing Structure – Common Terms Agreement – Trigger Event Consequences – Further Information and Remedial Plan*";

"**Rental**" means any scheduled payment of rental, periodic charge or equivalent sum under a Finance Lease;

"**Required Amount**" means £100 million of which not less than £40 million will (i) consist of funds standing to the credit of the Tax Reserve Account or (ii) be represented by Authorised Investments made in accordance with paragraph 14 of schedule 12 of the Common Terms Agreement;

"**Requisite Ratings**" means together the Minimum Short-term Rating and the Minimum Long-term Rating;

"**Reserved Matters**" means the rights of the Secured Creditors set out in Chapter 6.3.20, "*Financing Structure – Security Trust and Intercreditor Deed – Reserved Matters*";

"**Restricted Payment**" means any Distribution or Customer Rebate other than:

(a) to the extent required to make any payment under an Authorised Credit Facility in accordance with the provisions of the CTA and the STID, a payment by Anglian Water under the Intercompany Loan Arrangements; or

(b) a payment made under a Permitted Tax Loss Transaction; or

(c) a UK Holdco Debt Service Distribution;

"**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 controls 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**" means the all-items retail price 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 controls 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;

"**RPI Linked Hedging Agreement**" 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 or, as the case may be, AWS by reference to RPI;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Bond**" means a global bond in registered form comprising some or all of the Registered Bonds of the same Series sold to QIBs in reliance on Rule 144A under the Securities Act;

"**RWAs**" means risk weighted assets;

"**Secretary of State**" means one of His Majesty's principal secretaries of state;

"**Secured Creditor Representative**" means:

(a) in respect of any Liquidity Facility Provider, the facility agent under the relevant Liquidity Facility;

(b) 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; and

(c) in respect of any existing Secured Creditor entering into an additional Finance Document, the representative of such existing Secured Creditor (if any) appointed as its Secured Creditor Representative under the terms of the relevant additional Finance Document and named as such in the Additional Finance Document Memorandum;

"**Secured Creditors**" means the Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Bondholders (other than the USPP 2001 Bondholders)), the Bondholders, each Financial Guarantor, the Existing Finance Lessor, the Hedge Counterparties, the Issuer, each Authorised Credit Facility Agent, each Authorised Credit Facility Arranger, the Original Lenders, the Bridging Facility Agent, the Bridging Facility Arranger, each Debt Service Reserve Liquidity Facility Provider, the Liquidity Facility Agent, the O&M Reserve Facility Provider, the Cash Manager (other than when the Cash Manager is Anglian Water), the Agent Bank, the Principal Paying Agent, the Registrar, the Exchange Agent, the Transfer Agent, the USPP Paying Agent and any Additional Secured Creditors;

"**Secured Liabilities**" means all present and future sums, liabilities and obligations whatsoever (actual or contingent) payable, owing, due or incurred by an Obligor to the Secured Creditors (or any of them) under any Finance Document;

"**Securities Act**" means the U.S. Securities Act of 1933, as amended;

"**Security**" means the security constituted by the Security Documents, including any guarantee or obligation to provide cash collateral or further assurance thereunder;

"**Security Agreement**" means the deed of charge and guarantee executed in favour of the Security Trustee by each of the Obligors on 30 July 2002;

"**Security Documents**" means:

(a) the Security Agreement;

(b) the STID; 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 Average PMICR**" means the sum of the ratios of Net Cash Flow, less the greater of (a) the aggregate of CCD and IRC and (b) Capital Maintenance Expenditure, to Senior Debt Interest for each of the Test Periods comprised in a Rolling Average Period divided by 3;

"**Senior Debt**" means all Class A Debt and any other debt ranking in priority to subordinated debt of any member of the Anglian Water Services Financing Group;

"**Senior Debt Interest**" means, in relation to any Test Period and without double counting, an amount equal to the aggregate of all interest paid, due but unpaid or in respect of forward looking ratios, payable (whether or not payable within the terms of the Finance Documents) on the Issuer's and/or Anglian Water's obligations under and in connection with all Class A Debt, all premia paid, due but unpaid or, in respect of forward looking ratios, payable to any Financial Guarantor and adjusted Lease Reserve Amounts or Lease Reserve Amounts paid, due but unpaid or in respect of forward looking ratios, payable on the Issuer's and/or Anglian Water'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 and related Hedging Agreements then in force) (excluding all indexation of principal to the extent it has been included in such interest or other amounts and all other costs incurred in connection with the raising of such Class A Debt), and excluding amortisation of the costs of issue of any Class A Debt within such Test Period less all interest received or in respect of forward looking ratios receivable by any member of the Anglian Water Services Financing Group from a third party during such Test Period;

"**Senior Net Indebtedness**" means, as at any date, all the Issuer's and Anglian Water's nominal debt outstanding under and in connection with any Class A Debt (other than pursuant to tranche B of the Initial Authorised Loan Agreement) and any nominal amounts of Financial Indebtedness falling within paragraph (d) of the definition of Permitted Financial Indebtedness including (in each case) all indexation accrued but unpaid (after taking account of the impact on interest rates of all related Hedging Agreements then in force) on any such liabilities which are indexed together with any interest due and unpaid (after taking account of the impact on interest rates of all related Hedging Agreements then in force) and less the value of all Authorised Investments and other amounts standing to the credit of any Account other than the Customer Payment Account or the Distributions Accounts (where such debt is denominated other than in Sterling, the nominal amount outstanding will be calculated (i) in respect of debt with associated Currency Hedging Agreements, by reference to the applicable hedge rates; or (ii) in respect of debt with no associated Currency Hedging Agreements, by reference to the Exchange Rate);

"**Senior PMICR**" means the ratio of Net Cash Flow less the greater of (a) the aggregate CCD and IRC and (b) Capital Maintenance Expenditure for each Test Period to Senior Debt Interest for each of the same Test Periods for that period;

"**Senior RAR**" means the ratio of Senior Net Indebtedness to RCV;

"**Series**" means a Tranche of Bonds together with any further Tranche or Tranches of Bonds which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;

"**Shipwreck Clause**" means a clause which may be contained in the licence of a Regulated Company and which is contained in the Licence of Anglian Water at Part IV of Condition B, pursuant to which the Regulated Company may, if so permitted by the conditions of its licence, request price controls to be reset if the Regulated 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;

"**SLBP**" means the Sustainability-Linked Bond Principles administered by the International Capital Markets Association (ICMA), as amended from time to time;

"**SONIA**" means the Sterling Overnight Index Average;

"**SONIA Reference Rate**" means has the meaning given to it in Condition (*Screen Rate Determination (SONIA)*);

"**Special Administration**" means the insolvency process specific to Regulated Companies under sections 23-26 of the WIA;

"**Special Administration Order**" means an order of the Court under sections 23-25 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 Court under sections 23-25 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;

"**Special Distribution**" means a Distribution:

(a) that is made out of amounts in excess of Net Cash Flow, less any Distribution which has already been paid in respect of that Financial Year, generated in the 12 months to the most recently occurring 31 March or generated in the six months up to 30 September (as the case may be) less Capital Maintenance Expenditure, less Senior Debt Interest, less any amounts required to restore the Liquidity Facilities to the required levels (in each case calculated for the same period); or

(b) that is not an Ordinary Distribution;

"**Standby Drawing**" means a drawing made under a Liquidity Facility Agreement as a result of a downgrade of a Liquidity Facility Provider below the required ratings or in the event that the Liquidity Facility Provider fails to renew its commitment on the expiry of its term;

"**Standstill**" means, as provided for in the STID, a standstill of claims of the Secured Creditors against Anglian Water and the Issuer immediately upon notification to the Security Trustee of the occurrence of an Event of Default;

"**Standstill Event**" means an event giving rise to a Standstill in accordance with the STID;

"**Standstill Period**" means a period during which a standstill arrangement is subsisting;

"**Statutory Accounts**" means the statutory accounts which Anglian Water is required to prepare in compliance with the Companies Act;

"**Step Up Bonds**" means Fixed Rate Bonds or Floating Rate Bonds in respect of which the applicable Final Terms indicates that the Step Up Option is applicable and which are linked to certain Key Performance Indicators;

"**Step Up Event**" means the event which triggers the payment of a Step Up Margin under the Step Up Bonds where the Anglian Water Group fails to meet certain Sustainability Performance Targets, as further described in Condition 6(c) (*Step up Option*);

"**Step Up Margin**" means the margin specified in the applicable Final Terms in relation to the Sustainability Performance Target which triggered a Step Up Event, to be applied for any Interest Period commencing on or after the Interest Payment Date immediately following the Notification Date;

"**Step Up Option**" means the option specified in the applicable Final Terms making a Fixed Rate Bond or a Floating Rate Bond subject to a step up in the Rate of Interest (in the case of Fixed Rate Bonds) or the Margin (in the case of Floating Rate Bonds) on the occurrence of a Step Up Event;

"**STID**" means the security trust and intercreditor deed dated 30 July 2002 between the Obligors and the Secured Creditors pursuant to which the Security Trustee holds the Security on trust for the Secured Creditors and the Secured Creditors agree to certain intercreditor arrangements;

"**STID Directions Request**" means a written notice of each STID Proposal sent by the Security Trustee to the Secured Creditors pursuant to the STID;

"**STID Proposal**" means a proposal pursuant to the STID requiring a Majority Creditor decision and the consent of any Secured Creditor having an Entrenched Right in respect of such proposal;

"**Subordinated Authorised Loan Amounts**" means, in relation to any Authorised Credit Facility, the aggregate of any amounts payable by the Issuer to the relevant Authorised Credit Provider on an accelerated basis as a result of illegality on the part of the Authorised Credit Provider or any other amounts not referred to in any other paragraph of the Payment Priorities;

"**Subordinated Coupon Amounts**" means, in respect of any Floating Rate Bonds, any amounts (other than deferred interest) by which the margin on the Coupon on such Bonds exceeds the initial margin on the Coupon on such Bonds as at the date on which such Bonds were issued;

"**Subordinated Debt**" means any secured Financial Indebtedness that is fully subordinated, in a manner satisfactory to the Security Trustee and each Financial Guarantor, to the Class A Debt Debt and where the relevant credit provider has acceded to the Common Terms Agreement and the STID;

"**Subordinated Liabilities**" means all present and future liabilities (actual or contingent) payable or owing by an Obligor to another Obligor whether or not matured and whether or not liquidated other than (until the Security Trustee directs otherwise) any amounts payable or owing by UK Holdco to Anglian Water under the UK Holdco/Anglian Water Loan and any amounts payable or owing under the Anglian Water Loan Notes or the Issuer/Anglian Water Loan Agreement;

"**Subordinated Liquidity Facility Amounts**" means, in relation to any Liquidity Facility, the amount by which the cost of regulatory compliance or the interest rate payable exceeds what it was on the Issue Date and the aggregate of amounts payable by the Issuer to the relevant Liquidity Provider on an accelerated basis as a result of illegality, gross-up or increased costs on the part of such Liquidity Facility Provider or any other amounts not referred to in any other paragraph of the Payment Priorities;

"**Subordinated O&M Reserve Facility Amounts**" means, in relation to the O&M Reserve Facility, the aggregate of any amounts payable by the Issuer to the O&M Reserve Facility Provider on an accelerated basis as a result of illegality on the part of the O&M Reserve Facility Provider or any other amounts not referred to in any other paragraph of the Payment Priorities;

"**Sustainability Performance Target**" or "**SPT**" means each sustainability performance target specified in the applicable Final Terms and measured against the relevant Baseline;

"**Sustainability-Linked Finance Framework**" means the framework relating to Anglian Water Group's sustainability strategy and targets adopted on 14 February 2024, drafted in accordance with the SLBP (as amended from time to time);

"**Sustainability-Linked Finance Framework Second-party Opinion**" means the second party opinion provided by DNV confirming the alignment of the Sustainability-Linked Finance Framework with the five pillars of the SLBP;

"**Swiss francs**" means the lawful currency of Switzerland;

"**Syndicated Authorised Loan Facility**" means the syndicated revolving credit facility provided to the Issuer by, among others, Barclays Bank PLC;

"**Talonholders**" means the several persons who are for the time being holders of the Talons;

"**Talons**" means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the definitive Bearer Bonds (other than Zero Coupon Bonds) and includes any replacements for Talons issued pursuant to Condition 14;

"**Tax Deed of Covenant**" means the Original Tax Deed of Covenant and/or the First Replacement Tax Deed of Covenant, as applicable;

"**Tax Reserve Account**" means the account in the name of AWS (account number 60451886) held at the Account Bank (including any sub-account relating to that account and any replacement account from time to time) with a cash balance of at least £40 million;

"**Tax Reserve Guarantee**" means a financial guarantee provided by a Tax Reserve Guarantor in favour of either the Security Trustee or AWS in a form satisfactory to the Security Trustee provided that, if any Tax Reserve Guarantee is provided in favour of AWS, AWS shall provide first ranking fixed charge security over such Tax Reserve Guarantee in favour of the Security Trustee that will be duly filed in the prescribed form with the Registrar of Companies within the prescribed time limits and shall further provide a legal opinion addressed to the Security Trustee, in a form and content satisfactory to the Security Trustee, confirming the efficacy of such first ranking fixed charge security;

"**Tax Reserve Guarantor**" means a provider of a financial guarantee which complies with the TRG Requisite Ratings (as defined in the Deed of Indemnity);

"**Temporary Bearer Global Bond**" means a temporary global bond comprising some or all of the Bearer Bonds of the same Series issued by the Issuer;

"**Test Period**" means: (a) the period of 12 months ending on 31 March in the then current year; (b) the period of 12 months starting on 1 April in the same year; (c) each subsequent 12-month period up to the Date Prior; and (d) where the Calculation Date falls within the 13-month period immediately prior to the Date Prior, includes the 12-month period from the Date Prior;

"**Tier 1 Material Agreement**" means any Tier 1 Material O&M Agreement or a Tier 1 Material Capex Agreement;

"**Tier 1 Material Capex Agreement**" means any Capex Contract entered into by Anglian Water for the purposes of, or in connection with, Anglian Water carrying out its Regulated Business, where the NPV, at the later of (a) the Effective Date or (b) the date at which it is entered into or amended, supplemented or novated, of the agreed target cost payable by Anglian Water under that contract (which in each case has not been terminated or expired in

accordance with its terms), is, or would be if such contract was entered into on arm's length terms and for full value, equal to or greater than £15,000,000 (indexed);

"**Tier 1 Material O&M Agreement**" means any Outsourcing Agreement or series of Outsourcing Agreements (taken together) where the annual value of which is equal to or greater than contracts entered into between Anglian Water and any Contractor (or its affiliates) (which in each case has not been terminated or expired in accordance with its terms) exceeds (or would exceed were it entered into on arm's length terms) 25 per cent. of the Projected Operating Expenditure;

"**Tier 2 Material Agreement**" means any Tier 2 Material O&M Agreement or a Tier 2 Material Capex Agreement;

"**Tier 2 Material Capex Agreement**" means any Capex Contract entered into by Anglian Water for the purposes of, or in connection with, Anglian Water carrying out its Regulated Business, where the NPV, at the later of (a) the Effective Date or (b) the date at which it is entered into or amended, supplemented or novated, of the agreed target cost payable by Anglian Water under that contract (which in each case has not been terminated or expired in accordance with its terms), is, or would be if such contract was entered into on arm's length terms and for full value, less than £15,000,000 (indexed) but more than or equal to £5,000,000 (indexed);

"**Tier 2 Material O&M Agreement**" means any Outsourcing Agreement or series of Outsourcing Agreements (taken together), the annual value of which is equal to or greater than £5,000,000 (indexed), entered into with any Contractor and where the annual value of contracts entered into between Anglian Water and that Contractor (or its affiliates) (which in each case has not been terminated or expired in accordance with its terms) is less than 25 per cent. of the Projected Operating Expenditure;

"**Tranche**" means all Bonds which are identical in all respects (including as to listing);

"**Transaction Documents**" means:

(a) a Finance Document;

(b) a Tier 1 Material Agreement; and

(c) any other document designated as such by the Security Trustee and the Issuer;

"**Transfer Agent**" means Deutsche Bank AG, London Branch under the Agency Agreement, including any successor thereto;

"**Transfer Scheme**" means a transfer scheme under schedule 2 of the WIA;

"**Transferred USPP Bonds**" means those Bonds identified as USPP Bonds in the relevant pricing supplement and issued by the Issuer on the Effective Date in exchange for those of the following bonds previously issued by AWG Group Ltd:

(a) U.S.$23,000,000 6.57 per cent. bonds due 2009;

(b) U.S. $156,000,000 6.84 per cent. bonds due 2013; and

(c) U.S. $195,000,000 7.07 per cent. bonds due 2011,

and the USPP 2001 Bonds;

"**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 Credit Rating**" means each of the credit ratings referred to in Chapter 6.5.7(ii), "*Financing Structure – Common Terms Agreement – Trigger Events – Credit Rating Downgrade*";

"**Trigger Event**" means any of the events or circumstances identified as such in the CTA, as more particularly described in Chapter 6.5.7, "*Financing Structure – Common Terms Agreement – Trigger Events*";

"**Trigger Event Consequences**" means any of the consequences of a Trigger Event as identified as such in the CTA, as more particularly described in Chapter 6.5.8, "*Financing Structure – Common Terms Agreement – Trigger Event Consequences*";

"**Trigger Event Ratio Levels**" means the financial ratios set out in Chapter 6.5.7(i), "*Financing Structure – Common Terms Agreement – Trigger Events – Financial Ratios*";

"**Trigger Event Remedies**" means any remedy to a Trigger Event as identified in the CTA, as more fully particularised in Chapter 6.5.9, "*Financing Structure – Common Terms Agreement –Trigger Event Remedies*";

"**U.K. GAAP**" means generally accepted accounting principles in the United Kingdom as it applied for periods of account beginning before 1 January 2005;

"**UK Benchmarks Regulation**" means the EU Benchmarks Regulation as it forms part of domestic law by virtue of the EUWA;

"**UK CRA Regulation**" means the EU CRA Regulation as it forms part of domestic law by virtue of the EUWA;

"**UK Holdco**" means Anglian Water Services Holdings Limited;

"**UK Holdco Change of Control**" means the occurrence of any of the following events or circumstances or the reasonable likelihood of such events or circumstances happening:

(a) any person which previously Controls Anglian Water Services Holdings Limited ceasing to have Control of Anglian Water Services Holdings Limited; or

(b) any person which does not previously Control Anglian Water Services Holdings Limited obtaining Control of Anglian Water Services Holdings Limited,

of which any Obligor has actual knowledge;

"**UK Holdco Debt Service Distribution**" means a dividend payment declared and paid by Anglian Water and/or Anglian Water Services Overseas Holdings Limited that meets the criteria specified in paragraph (iv)(u)(E) of Chapter 6.5.5, "*Financing Structure – Common Terms Agreement – Covenants – General*" and the payment by Anglian Water Services Holdings Limited of sums payable to Anglian Water under the UK Holdco/Anglian Water Loan in each Financial Year;

"**UK Holdco/Anglian Water Loan**" and "**UK Holdco/AWS Loan**" means the interest-bearing loan made to Anglian Water Services Holdings Limited by Anglian Water to enable Anglian Water Services Holdings Limited to pay the consideration to AWG Group Ltd to purchase the shares held by AWG Group Ltd in Anglian Water Services Overseas Holdings Limited in an amount consistent with the limitations under permitted post-closing events;

"**UK MiFIR**" means Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA;

"**UK MiFIR Product Governance Rules**" means the FCA Handbook Product Intervention and Product Governance Sourcebook;

"**UK Securitisation Framework**" means the Securitisation Regulations 2024 (SI 2024/102) and any delegated regulations;

"**Ultimate Controller**" means any person which, whether alone or jointly and whether directly or indirectly, is in the reasonable determination of Ofwat, in a position to control or in a position to materially influence the policy or affairs of the Regulated Company or any holding company of the Regulated Company;

"**U.S. GAAP**" means generally accepted accounting principles in the United States;

"**Unwrapped Bonds**" means those Bonds that do not have the benefit of a guarantee from a Financial Guarantor;

"**Unwrapped Debt**" means any indebtedness that does not have the benefit of a guarantee from a Financial Guarantor;

"**USPP 2001 Bonds**" means such amount of the Series D 7.13 per cent. Senior Notes due 2009 and Series E 7.23 per cent. Senior Notes due 2011, all issued by Anglian Water in July 2001, which remained outstanding immediately after the Effective Date;

"**USPP Bonds**" means the USPP 2001 Bonds and those Bonds identified as USPP Bonds in the relevant pricing supplement or Final Terms relating to any Class A Unwrapped Bonds issued by the Issuer on or after the Effective Date;

"**USPP Bondholders**" means the holders of USPP Bonds;

"**USPP Paying Agent**" means Deutsche Bank Trust Company Americas or any successor thereto;

"**UWWTD**" means the Urban Waste Water Treatment Directive;

"**VAT**" means value added tax;

"**VMPs**" means Variable Monetary Penalties, as further described in Chapter 1.1.1, "*Risk Factors – Risks relating to the Issuer – Regulatory, Legislative and Political Risks – Policy changes and political intervention in the sector*";

"**Voted Qualifying Class A Debt**" means the aggregate Outstanding Principal Amount of 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 Debt**" means the Voted Qualifying Class A Debt or the Voted Qualifying Class B Debt, as the context requires;

"**WASCs**" means water and sewerage companies;

"**Water Act 2003**" means the United Kingdom Water Act 2003;

"**Water Act 2014**" means the United Kingdom Water Act 2014;

"**Water Quality Regulations**" means the Water Supply (Water Quality) Regulations 2016/614 as amended by the Water Supply (Water Quality) (Amendment) Regulations 2018/706;

"**WIA**" means the United Kingdom Water Industry Act 1991 (as amended by subsequent United Kingdom legislation, including the Competition and Service (Utilities) Act 1992, the Water Industry Act 1999, the Water Act 2003, the Water Act 2014 and the Environment Act 2021);

"**WRA**" means the United Kingdom Water Resources Act 1991, (as amended by subsequent legislation including the United Kingdom Environment Act 1995, the Water Act 2003, the Water Act and the Environment Act 2021);

"**WSMA**" means the Water (Special Measures) Act 2025;

"**WSRA**" means the United Kingdom Government's Water Services Regulation Authority (also known as Ofwat);

"**Zero Coupon Bond**" means a Bond on which no interest is payable.

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