



**UNITED UTILITIES PLC**

*(incorporated with limited liability in England)*

**UNITED UTILITIES WATER FINANCE PLC**

*(incorporated with limited liability in England)*

**with obligations under Notes issued by United Utilities Water Finance PLC  
to be unconditionally and irrevocably guaranteed by**

**UNITED UTILITIES WATER LIMITED**

*(incorporated with limited liability in England)*

**EUR 7,000,000,000**

**Euro Medium Term Note Programme**

*This Offering Circular supersedes any previous Offering Circulars issued in respect of the Programme. Any Notes (as defined below) issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes already in issue.*

Under this EUR 7,000,000,000 Euro Medium Term Note Programme (the “Programme”), United Utilities PLC (“UU”) and United Utilities Water Finance PLC (“UUWF”) (each an “Issuer” and together the “Issuers”) may from time to time issue notes (the “Notes”) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below). The payments of all amounts due in respect of Notes issued by UUWF will be unconditionally and irrevocably guaranteed by United Utilities Water Limited (“UW”) or the “Guarantor”).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 7,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “General Description of the Programme” and any additional Dealer appointed under the Programme from time to time by the Issuers (each a “Dealer” and together the “Dealers”), which appointment may be for a specific issue or on an on-going basis. References in this Offering Circular to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors” on page 12.**

This Offering Circular has been approved as a base prospectus by the Financial Conduct Authority (the “FCA”), as competent authority under Regulation (EU) 2017/1129 (the “Prospectus Regulation”). The FCA only approves this Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the FCA should not be considered as an endorsement of the Issuers or the Guarantor or of the quality of the Notes that are the subject of this Offering Circular. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the FCA for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the FCA (the “Official List”) and to the London Stock Exchange plc (the “London Stock Exchange”) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market.

References in this Offering Circular to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange’s regulated market and have been admitted to the Official List. The London Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (2014/65/EU) (as amended, “MiFID II”).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “Terms and Conditions of the Notes”) of Notes will be set out in the applicable Final Terms (the “Final Terms”) which, with respect to Notes to be listed, will be delivered to the FCA and to the London Stock Exchange. Final Terms in respect of any issuance of Notes under the Programme will be published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be disclosed in the Final Terms. A credit 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 organisation.

UU and UUW have each received corporate credit ratings. For discussion of these see “Information on United Utilities Group PLC – Group capital structure target credit rating for UUW and credit ratings for UU and UUW”. Fitch Ratings Ltd (“Fitch”) and Moody’s Investors Service Ltd. (“Moody’s”) are both established in the United Kingdom (the “UK”), and S&P Global Ratings Europe Limited (“S&P”) is established in the European Union (the “EU”). Fitch, Moody’s and S&P are each registered under Regulation (EC) No. 1060/2009 (as amended, the “CRA Regulation”). As such, each of Fitch, Moody’s and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority (“ESMA”) on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> in accordance with the CRA Regulation. Notes issued under the Programme may be rated by Fitch, Moody’s, S&P or any other rating agency established in the EU or the UK and registered under the CRA Regulation.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act.

The relevant Issuer and the Trustee (as defined below) may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event and, if appropriate, a supplemental Offering Circular or a new Offering Circular will be published.

**Arranger**

**Deutsche Bank**

**Dealers**

**Bank of China  
BNP PARIBAS  
HSBC  
MUFG  
TD Securities**

**Barclays  
Deutsche Bank  
J.P. Morgan  
NatWest Markets**

**Bayerische Landesbank  
Goldman Sachs International  
Mizuho Securities  
RBC Capital Markets**

**This Offering Circular comprises a base prospectus in relation to each Issuer for the purposes of Article 8(1) of the Prospectus Regulation.**

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

Each of the Issuers and the Guarantor (together, the “Responsible Persons”) accepts responsibility for the information contained in this Offering Circular and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of each of the Issuers and the Guarantor the information contained in this Offering Circular is in accordance with the facts and this Offering Circular does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*” below). This Offering Circular shall, save as specified herein, be read and construed on the basis that those documents are so incorporated and form part of this Offering Circular. Other than in relation to the documents which are deemed to be incorporated in this Offering Circular by reference, the information on the websites to which this Offering Circular refers does not form part of this Offering Circular and has not been scrutinised or approved by the FCA.

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Programme. Neither the Dealers nor the Trustee accept any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by any Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuers or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, the Guarantor, any of the Dealers or the Trustee.

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

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuers and/or the Guarantor is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or the Guarantor during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor, the Dealers and the Trustee do not represent that this

Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantor, the Dealers or the Trustee which would permit a public offering of any Notes outside the UK or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular 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 Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer and sale of Notes in the United States, the EEA (including Belgium and Germany), the UK, Japan, Singapore and Switzerland (see “*Subscription and Sale*” below).

In making an investment decision, investors must rely on their own examination of the relevant Issuer, the Guarantor and the terms of the Notes being offered, including the merits and risks involved. The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Dealers, the Issuers, the Guarantor and the Trustee makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes have not been and will not be registered under the Securities Act and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. Furthermore, the Index Linked Notes do not constitute, and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the United States Commodity Exchange Act (the “CEA”), as amended, and trading in the Index Linked Notes has not been approved by the United States Commodity Futures Trading Commission (the “CFTC”) under the CEA, and no U.S. person may at any time trade or maintain a position in the Index Linked Notes (see “*Subscription and Sale*” below).

**IMPORTANT – EEA AND UK RETAIL INVESTORS** – If the Final Terms in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA and UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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

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

**PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B(1) OF THE SECURITIES AND FUTURES ACT (CHAPTER 209) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE “SFA”)** – Unless otherwise stated in the applicable Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be “prescribed capital market products” (as defined in the Securities and Futures (Capital Markets Products) Regulation 2018 of Singapore) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (“MAS”) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**BENCHMARKS REGULATION** – Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the “Benchmarks Regulation”). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the applicable Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the applicable Final Terms to reflect any change in the registration status of the administrator.

### **Certain Defined Terms and Conventions**

Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed to them in “*Terms and Conditions of the Notes*” or any other section of this Offering Circular. In addition, the following terms as used in this Offering Circular have the meanings defined below:

All references in this Offering Circular to “U.S. dollars”, “U.S.\$” and “\$” refer to United States dollars, “Sterling” and “£” refer to pounds sterling and “euro”, “EUR” and “€” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended. References to a “billion” are to a thousand million.

Certain figures and percentages included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Offering Circular and except where the context otherwise requires, references to “United Utilities”, “UUG” or the “Group” are to United Utilities Group PLC, either alone or together with its consolidated subsidiaries, as the context requires. References to “UU” are to United Utilities PLC, either alone or together with its consolidated subsidiaries, as the context requires. UU is a wholly-owned subsidiary of UUG. References to “UUWF” are to United Utilities Water Finance PLC which is a wholly-owned subsidiary of UUW. References to “UUW” are to United Utilities Water Limited, either alone or together with its consolidated subsidiaries, as the context requires. UUW is a wholly-owned subsidiary of UUG. References to “the Issuer” are, unless the context requires otherwise, to the entity specified as such in the relevant Final Terms.

### **Suitability of Investment**

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

### **Forward-Looking Statements**

This Offering Circular and the annual reports for 2020 and 2019 of UUG, UU, UUWF and the Guarantor, as incorporated by reference in this Offering Circular, contain certain forward-looking statements with respect to the operations, performance and financial condition of the Group (as defined below) and the entities therein. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Offering Circular or the annual reports, as applicable. Except as required by the FCA, the London Stock Exchange, the Listing Rules, the FCA's Prospectus Regulation Rules Sourcebook, the Disclosure and Transparency Rules or any other applicable law or regulation, the Issuers and the Guarantor expressly disclaim any obligations or undertakings to release publicly any updates or revisions to any forward-looking statements contained in the Offering Circular or the annual reports, as applicable, to reflect any change in either Issuer's or the Guarantor's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

### **Alternative Performance Measures**

To supplement the financial statements of UUG, UU, UUWF and the Guarantor, each audited in accordance with International Financial Reporting Standards ("IFRS") or Generally Accepted Accounting Practice in the UK ("UK GAAP"), the Group uses certain ratios and measures included or referred to in this Offering Circular that would be considered Alternative Performance Measures ("APMs"), as defined in the ESMA Guidelines on Alternative Performance Measures (as amended or supplemented from time to time). These measures are considered useful to investors to enhance their understanding of the Group's financial performance. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS or UK GAAP. Where applicable, an explanation of an APM's components and calculation method can be found in this Offering Circular and the documents incorporated by reference herein.

### **Stabilisation**

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

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## GENERAL DESCRIPTION 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 Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms and any decision to invest in any Notes should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) 2019/980.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” below shall have the same meanings in this overview.

<b>Issuers:</b>	United Utilities PLC United Utilities Water Finance PLC
<b>Guarantor</b>	Obligations in respect of Notes to be issued by UUWF will be unconditionally and irrevocably guaranteed by UUW (the “Guarantee”).
<b>Risk Factors:</b>	There are certain factors that may affect each Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” beginning on page 12 hereof. There are also certain factors that may affect the Guarantor’s ability to fulfil its obligations under the Guarantee. These are also set out under “ <i>Risk Factors</i> ” below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
<b>Description:</b>	Euro Medium Term Note Programme
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c.
<b>Arranger:</b>	Deutsche Bank AG, London Branch
<b>Dealers:</b>	Bank of China Limited, London Branch Barclays Bank PLC Bayerische Landesbank BNP Paribas Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Mizuho International plc MUFG Securities EMEA plc NatWest Markets Plc RBC Europe Limited The Toronto-Dominion Bank and any other Dealers appointed in accordance with the Programme Agreement.
<b>Certain Restrictions:</b>	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and</i> ”).

*Sale*”) including the following restrictions applicable at the date of this Offering Circular.

**Notes having a maturity of less than one year**

Notes having a maturity of less than one year will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (“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 “*Subscription and Sale*”.

<b>Issuing and Principal Paying Agent:</b>	Citibank, N.A., London Branch.
<b>Registrar and Transfer Agent:</b>	Citibank, N.A., London Branch.
<b>Programme Size:</b>	Up to EUR 7,000,000,000 in nominal amount (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. Each of the Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Distribution:</b>	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions, any currency agreed between the relevant Issuer and the relevant Dealer.
<b>Redenomination:</b>	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 5.
<b>Maturities:</b>	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
<b>Issue Price:</b>	The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.
<b>Form of Notes:</b>	The Notes will be issued in either bearer or registered form and may be issued in New Global Note (“NGN”) or held under the New Safekeeping Structure (“NSS”) form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
	So long as any Notes are represented by a Temporary Global Note and/or a Permanent Global Note and the relevant clearing systems so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination and integral multiples of such other amount as shown in the applicable Final Terms.
<b>Fixed Rate Notes:</b>	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on



the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

**Floating Rate Notes:**

Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate set out in the applicable Final Terms.

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

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

**Index Linked Notes:**

Payments of principal and interest in respect of Index Linked Notes will be calculated by multiplying an Index Ratio, derived from: (i) the RPI (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace RPI; (ii) the CPI (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace CPI; or (iii) the CPIH (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace CPIH; in each case by an amount specified in the applicable Final Terms.

**Zero Coupon Notes:**

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

**Instalment Notes:**

The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

**Redemption:**

The applicable Final Terms will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the holders of the relevant Notes (the "Noteholders") upon giving the relevant period of notice specified in the Terms and Conditions (or such other notice period as is specified in the applicable Final Terms) to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

**Denomination of Notes:**

Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note 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, and save that the minimum denomination of each Note admitted to trading on a regulated market within the EEA or the UK or offered to the public in a Member State of the EEA or in the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation will be EUR 100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

- Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within the UK, subject as provided in Condition 10. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Guarantor, will, save in certain limited circumstances provided in Condition 10, be required to pay additional amounts to cover the amounts so deducted.
- Negative Pledge:** The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
- Cross Default:** The terms of the Notes will contain a cross default provision as further described in Condition 12.
- Status of the Notes:** The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
- Status of the Guarantee in respect of Notes issued by UUWF:** The Notes issued by UUWF will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under the Guarantee will be direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.
- Rating:** Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will be disclosed in the applicable Final Terms and will not necessarily be the same as the rating assigned to the Programme. A credit 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.
- Listing:** Application has been made to the FCA for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market.
- Governing Law:** The Notes and any non-contractual obligations arising out of or in connection therewith will be governed by, and construed in accordance with, English law.
- Selling Restrictions:** There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA (including Belgium and Germany), the UK, Japan, Singapore, Switzerland and such other restrictions as may be required in connection with the offering and

sale of a particular Tranche of Notes (see “*Subscription and Sale*”).

**Representation of Noteholders:** Trustee.

## RISK FACTORS

*The Issuers and the Guarantor believe that the following factors, which are specific to the Issuers and/or the Guarantor (as applicable), may affect their ability to fulfil their respective obligations under the Notes issued under the Programme. Risk factors which are specific to the Notes are also described below.*

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

*Capitalised terms used herein shall, unless otherwise stated, have the same meaning as given to them in the sections entitled “Terms and Conditions of the Notes”, “Information on United Utilities Group PLC”, “Description of the Issuers – United Utilities PLC”, “Description of the Issuers – United Utilities Water Finance PLC”, and “Description of the Guarantor – United Utilities Water Limited”.*

### **Risks relating to the Group and its business**

UUG’s principal operating subsidiary, UUW, is appointed by the Secretary of State as the water and wastewater undertaker for the North West of England and is subject to economic and quality regulation. The following is a summary of the key risks associated with UUW’s regulated operations and the non-regulated activities of the Group.

#### **Water service and wastewater service**

The secure supply of clean safe drinking water is the core duty of UUW as the regulated water business. This includes all aspects of supply and demand, such as abstraction, catchment management, drought management and population growth and the capacity, capability, effectiveness and compliance of infrastructure and non-infrastructure assets, including impounding reservoirs, to deliver water to customers.

UUW’s regulated wastewater activities must ensure the capacity, capability, effectiveness and compliance of infrastructure and non-infrastructure wastewater assets to remove, treat and return water to the environment in a compliant manner that meets environmental standards. This includes all aspects of supply and demand such as population growth and changing weather patterns.

Operational performance problems or service failures caused by both internal and external factors can result in performance issues such as leakage, discharge consent breaches, pollution incidents and operational or asset failures leading to adverse effects on the security of the water supply, water quality or flooding. Poor water quality can cause danger to public health. Critical asset failures, such as major supply pipes, cause customer disruption and require an urgent deployment of resources and finance in order to recover the situation. This can lead to increased regulatory scrutiny, regulatory penalties and/or additional operating or capital expenditure. In more extreme situations the Group could also be fined for breaches of statutory obligations, be held liable to third parties and/or sustain reputational damage. The restrictions brought about by COVID-19 have the potential to adversely affect construction activity and disrupt the supply chain.

Current key risks and issues include dealing with the impacts of population growth, climate change and weather conditions. The weather can have a major impact on operational and/or hazard risk including as a result of excessive or insufficient rainfall or a rapid freeze/thaw. Weather patterns are becoming increasingly variable, including storm events depositing extreme rainfall which can impact operations, including overloading the sewer network. In severe dry-periods, UUW must ensure it continues to have resilient water resources and an infrastructure capable of moving water efficiently around the North West. Population growth increases service and infrastructure requirements in both water and wastewater and can also affect abstraction and/or discharging requirements and consents. The abstraction licensing regime and changes to it could also affect this risk. Water scarcity is an emerging issue within the UK which has knock-on implications to UU in relation to the proposed strategic transfer of water from the North West to the South East of England and the associated service, commercial and reputational impacts.

Pollution incidents, interruptions to drainage services and sewer flooding could lead to damage to the natural environment, disruption to businesses and domestic customers and could result in significant fines and reputational harm.

The evolving markets of Bioresources (as defined below) and sludge treatment introduce further uncertainty. Failure to treat sludge due to a combination of treatment capacity and quality of sludge produced at treatment works could lead to higher operating costs, loss of revenue from renewable energy and the potential for sludge to be inadequately disposed of. The practice of disposing of biosolids to agriculture could be banned (partially or in full) in the UK based on similar actions across Europe. The current heightened awareness of single use plastics and microplastic pollution in water, wastewater effluent discharge and sludge disposal could lead to tighter regulation.

A no-deal Brexit could contribute to major disruption to European supply chains, affecting in particular the availability of chemicals for water treatment which could lead to customer impacts and regulatory infringements.

The region's geography and weather, the legacy of the industrial revolution, population growth and the age of U UW's infrastructure mean that applicable environmental legislation has a significant impact on U UW's plans for the next five years and beyond. Furthermore, the North West has one of the country's largest combined waste and surface water infrastructures and this has significant implications for river and bathing water quality in the heavy rainfall events anticipated under climate change. These are significant challenges for U UW's wastewater service and are likely to drive high levels of capital expenditure in meeting statutory obligations.

#### **Finance-related risks**

The inability to appropriately finance the Group's activities in relation to capital, credit, market, funding, liquidity, pensions or tax related risk could have a material adverse impact on the Group's business.

The Group has historically accessed funding from EU-based investors and institutions such as the European Investment Bank ("EIB"). Following Brexit it is likely that the EIB will ultimately curtail new lending into the UK meaning that the Group may find it more difficult to access EIB funding in the future. Depending upon the compatibility of UK financial market regulation with that of the EU, it might be more difficult for issuers with UK listed debt issuance programmes to access EU domiciled investors in the future.

The failure of financial counterparties could result in additional financing cost, an adverse impact on the Group's financial resources and/or potential reputational damage. Paying inappropriate levels of tax, variability in RPI, CPI and CPIH<sup>1</sup> inflation and changes in interest rates, funding costs and other market risks (including the effects of Brexit and broader economic conditions on financial markets) could adversely impact the Group's financing costs and/or the economic return on the regulatory capital value ("RCV"). Such conditions could also adversely affect the Group's pension schemes, leading to increased scheme deficits and a requirement for the Group to make additional contributions. The COVID-19 pandemic has introduced significant uncertainty into global financial markets, exacerbating the potential for worse credit ratings, associated funding costs or reduced access to debt capital markets leading to lower liquidity and adversely impacting the economic return on the RCV. Tax inefficiencies, under or over payment of tax, deflation, interest rates and energy prices and a potential worsening of the pension scheme funding position could all lead to a significant increase in costs to the Group.

Stability of the global economy, the impact of Brexit, the pace of economic growth and stability of financial institutions remain areas of uncertainty, particularly in the context of COVID-19. Adverse market conditions can impact the Group's profitability and financial condition in a number of ways. These range from price rises for goods and services affecting profit and cash flow to the availability and/or cost of funding and hedging, as well as failure to achieve financing outperformance during the seventh asset management period from April 2020 to March 2025 ("AMP7").

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<sup>1</sup> CPIH is the Consumer Prices Index including owner occupiers' housing costs. This reflects the fact that it is identical to the CPI, with the exception of inclusion of owner occupiers' housing costs and council tax

### **Security, systems, property and other assets**

The inability to protect people, information systems, customer data, infrastructure and non-infrastructure from malicious activity including theft and fraud, or manage other Group wide property-related interests could have an impact on the security of people, information, assets and property, including water and wastewater treatment works, office sites and non-regulated assets.

The Group's resources, assets and infrastructure, including critical national infrastructure, are exposed to various threats (malicious, accidental and natural, including climate change-related) which could impact the provision of vital services and/or harm people or commercial business.

Current key risks and issues include cyber risks and the threat of the Group's financial, engineering and strategic information being accessed or interfered with by unauthorised parties. Data and technology assets could be significantly compromised due to malicious or accidental activity leading to a major impact to key business processes and operations. Potential consequences include penalties, additional costs, customer compensation and reputational damage, as well as impacts to business services, regulatory compliance, financial and operational performance.

In addition, employee and customer personal data could be the subject of cybercrime, particularly in the context of COVID-19. The introduction of the General Data Protection Regulation in May 2018 also places additional duties on the Group and can lead to penalties of up to 4 per cent. of global turnover or EUR 20,000,000 (whichever is the higher) for serious breaches.

Terrorism and other criminal activity also represent a threat to operational assets and the service delivered to customers. In exceptional circumstances the impact could range from environmental damage to economic and social disruption or loss of life.

### **Regulatory environment & framework**

The Group's businesses are subject to various laws and regulations in the UK and internationally. The legal and regulatory landscape is complex and subject to on-going change. Potential changes in the regulatory environment, frameworks and associated strategies imposed or overseen by any of the Group's economic, quality or environmental regulators such as the Water Services Regulation Authority ("Ofwat"), the Drinking Water Inspectorate, the Environment Agency (the "EA"), the Department for Environment, Food and Rural Affairs ("Defra"), European Directives, the Consumer Council for Water (the "CCW") and/or Natural England, could result in increased costs, reduced income, lower margins and greater uncertainty of returns and / or reduce investor confidence leading to funding pressures in the context of raising finance and refinancing debt on an ongoing basis.

The Group's principal operating subsidiary, U UW, is price-regulated by Ofwat, with Ofwat setting allowed revenues for a specified regulatory period following evaluation of a business plan submitted by U UW. Those allowed revenues determine the prices and tariffs U UW is able to charge its customers, and U UW would need consent from Ofwat to increase its prices in the event of any unexpected cost increases under the terms of its Instrument of Appointment dated 24 August, 1989 under Sections 11 and 14 of the Water Act 1989 (as varied from time to time) appointing U UW as a water undertaker and sewerage undertaker ("Instrument of Appointment").

Changes in government and government policy or political structure could lead to a changed regulatory environment which may materially adversely impact the business of the Group. In recent times, the UK's official opposition, the UK Labour Party, has had a policy of renationalisation of the UK water industry were it to win a General Election, which could potentially result in the business being acquired below fair value. Although the re-election of a Conservative government at the December 2019 General Election ended the immediate threat of renationalisation, widespread uncertainty remains in respect of perceptions of sector legitimacy, leading to increased scrutiny from parliament, regulators and customers. More generally, changes to regulation and the regulatory regime (either through political or regulatory events) may increase operating costs, reduce income and margin and lead to greater variability of returns. Future intervention by the UK Government in the water markets, or changes in governmental policy, may affect the Issuers' and the Guarantor's ability to meet their obligations under the Notes. In addition, the impact of the COVID-19 pandemic has the potential to alter the stability and certainty of regulation.

Current key risks and issues include the ongoing development of the market for non-household retail competition following U UW's exit from that market in April 2017 (with U UW's non-household customers transferring to Water Plus Group Limited ("Water Plus"), a joint

venture between UU and Severn Trent Plc (“Severn Trent”), with U UW continuing to provide wholesale services to non-household customers in its appointed area). In addition, there may in future be introduced competitive activity in household retail competition and in further elements of the wholesale activities (“Upstream Competition”).

Additional reforms have been introduced relating to Upstream Competition in the provision of new water resources and the treatment and disposal of sludge (“Bioresources”) with uncertainty as to how these nascent markets will develop. Upstream Competition has led to an apportionment of the RCV across the wholesale value chain, and may increase operating costs, reduce revenue and lead to greater variability of returns in those parts of the value chain.

Following the 2016 UK vote to leave the EU (the “Brexit vote”) there remain a number of uncertainties in connection with the future of the UK and its relationship with the EU, including the impact and applicability of EU legislation following the UK’s withdrawal from the EU (“Brexit”). In March 2017, the UK invoked Article 50 of the Treaty of the Functioning of the EU, which began Brexit and the UK left the EU on 31 January 2020. It is not certain at this stage what the terms of the UK’s withdrawal from the EU will be, including whether there will be a no-deal Brexit post the transitional period (i.e. the UK withdrawing from the EU without a specific agreement in place to govern the ongoing or future relationship between the UK and EU). Until these matters are clearer, it is not possible to determine the impact that Brexit and/or any related matters may have on the business of the Group or the regulatory framework applicable to it.

Under the price review process for AMP7, Ofwat published its Final Determination (“FD”) in December 2019 and introduced tougher targets and penalty/reward structures for operational performance and customer satisfaction. Whilst U UW accepted the FD, four other water companies have made a referral to the Competition and Markets Authority (the “CMA”) which has potential implications for the sector as the industry starts to look towards the next price review in 2024.

The FD included a transition from the use of RPI to CPIH as the basis of indexation of allowed revenues and the RCV. This change could lead to increased financing costs, along with changes in customer bills and a lowering of long-term growth in the RCV. The allowed cost of capital for the 2020-2025 regulatory period is lower than the allowed cost of capital for the 2015-2020 regulatory period, and the lower allowed return is reflected in Ofwat’s revenue allowance in the FD.

Looking ahead to the next price review for the 2025-2030 regulatory period (“PR24”), a number of issues may arise, including possible impact on net total expenditure (“totex”) allowances through revenues for labour costs in the eighth asset management period from April 2025 to March 2030 (“AMP8”). Such an outcome could be the result of the Office for National Statistics taking account of the lower wages associated with the COVID-19 furlough scheme in its Annual Survey of Hours and Earning tables.

### **Programme delivery**

The ineffective delivery of capital, operational and change programmes across the Group’s operations, including elements of the supply chain against relevant time, cost or quality measures could result in a failure to secure competitive advantage or operating performance efficiency and cost benefits. There is also the risk of increased delivery costs or a failure to meet the Group’s obligations and customer outcomes (as measured through the ODI (as defined below) metrics) which, depending on the nature and extent of failure, could result in an impact at future price reviews, regulatory or statutory penalties and negative reputational impact with customers and regulators.

Current key risks and issues include compromised security of supply, in particular affecting the European supply chain in the event of a no-deal Brexit, price volatility and the potential for failing to deliver solutions. A failure by the Group to invest in and develop new technology and to align itself with innovative practices could result in delays in delivery and an adverse impact on quality. There is a risk of uncertainty in partners’ performance and capabilities in relation to the new contract delivery partnership arrangements for the 2020-2025 regulatory period.

A further risk scenario is third-party developers requesting that U UW reconfigure its network to accommodate their projects. The growth in such projects is expected to continue, in line with the government’s push to invest in and develop infrastructure post COVID-19 and the Northern Powerhouse initiative. Such a situation may increase U UW’s exposure to capital costs that sit above and beyond those forecast in its business plan. The largest of these current projects is the High Speed 2 project (“HS2”), which impacts U UW’s region during two phases and extends beyond AMP8, with the most significant network reconfiguration taking place during phase 2b of HS2.

From 2020, the potential for capital schemes to be delivered under the Direct Procurement for Customers (“DPC”) regime could lead to specific new assets being financed and built by third parties and therefore not comprising part of the Group’s asset base and the RCV nor potentially being under the Group’s operational control. Whilst DPC is Ofwat’s favoured approach for certain types of qualifying large discrete projects of significant spend, it brings a number of uncertainties, risks and challenges, including achieving value for money, securing appropriate risk sharing arrangements, and the effect on the remainder of the Group’s operations and financial structures (including its capital structure).

The potential failure to meet the Group’s obligations and customer outcomes, including DPC, could lead to an impact at future price reviews and negative reputational impact with customers and regulators. COVID-19 restrictions have the potential to challenge financial and operational resilience in supply chains and have an adverse impact on cash flow. DPC procurement is currently being progressed by U UW and Ofwat for the delivery of a major water resilience project in U UW’s service area.

### **Revenues and profitability**

There is a risk that an inability to sustain revenues and margin due to competition, poor levels of operational performance and/or customer service could impact on all aspects of the Group’s customer base, including service provision, billing, cash collection and debt management.

During AMP7, there is a risk that financing outperformance will not be achieved as expected, owing to falling CPIH inflation impacting the effective real rate on embedded fixed rate nominal debt.

In the context of increasingly high customer expectations, poor service or operational performance can result in financial penalties issued by the economic regulator. The introduction of a new customer measure of experience (“C-MeX”), which looks beyond direct customer experience of operational activity to a broader perception of the company and brand orientation, introduces additional risk. Particularly in the context of the economic downturn caused by the measures taken to control the COVID-19 pandemic, there is a risk of financial losses and an impact on profitability associated with variable cash flow, an increase in customer bad debt, potential regulatory penalties and reputational harm including as a result of decreased customer satisfaction. Financial and other penalties may also be applied as a result of failing Outcome Delivery Incentive (“ODI”) measures.

The above risks and competition in the non-household retail market have the potential to adversely impact the Water Plus joint venture and the Group’s profitability.

Competition in the Bioresources market following the reforms set out in the Water Act 2014, Water 2020 and the 2019 price review (“PR19”) process, could lead to a loss of business and reduced operational efficiency.

Competition in these markets, as well as increased activity in the New Appointments and Variations market where alternative providers may apply to be appointed as water and wastewater undertakers within the North West of England, introduces revenue uncertainty. It is uncertain at this stage whether household retail competition will be introduced and the Group’s activities as a joint venture partner within the non-household retail market also involve competitive pressures and revenue challenges. In Upstream Competition Ofwat have introduced separate price controls for new raw water resources and Bioresources for the 2020-2025 regulatory period. Longer term, Upstream Competition has the potential to present risks relating to underutilisation or stranding of operational assets and infrastructure.

The North West contains some of the most socially challenged and economically deprived areas in England and so it is anticipated that there will be continued hardship for a number of communities and difficulties for some customers in paying their bills. Deprivation has been a key driver in the level of U UW’s average ‘cost to serve’ household customers, and recovery of the UK economy does not mean that deprivation in the North West will necessarily fall and Brexit could produce adverse economic impacts, with inflation and/or deflation being particularly volatile. Welfare reforms could affect around 970,000 people in the North West (approximately one third of households served by U UW) and consequently collection of bills for those customers could become more challenging and could also increase the Group’s level of bad debt and reduce the Group’s profits. As a result of the impact of COVID-19, in the short term, there is a risk of reduced recovery of household debtors, non-household charges to retailers and the additional impact flowing from the risk of reduced recovery of business customer receivables within Water Plus. In the longer term, economic impacts resulting from COVID-19 could



include sustained levels of high unemployment and corporate failures affecting debt collection and lower inflation affecting revenues, financing costs and RCV.

### **Health, safety and environmental**

In delivering the Group's operational services, including water and wastewater treatment and distribution, there is potential for harm to employees, contractors, customers, the public or the environment. This includes potential hazardous events from operational activity or external factors, as well as occupational health. Working with and around water, sewage, construction and excavation sites, plant, equipment and chemicals exposes employees, contractors and visitors to various man-made and naturally occurring hazards, including asset failure, which could cause harm to people and the environment. Impounding reservoirs contain very large volumes of water and, in the event of a dam failure, severe flooding could cause significant property damage and potential loss of life. Depending on the circumstances, the Group could be fined for breaches of statutory obligations, be held liable to third parties and/or sustain reputational damage.

Current key risks and issues include the effects of COVID-19 on employees, contractors and customers, hazards associated with excavation, tunnelling and construction work as the programme of capital expenditure is delivered, as well as driving and vehicle movements and the effects of extreme weather on the Group's operations, such as fluvial and coastal flooding associated with climate change.

### **Corporate governance and legal compliance**

The Group has extensive obligations and responsibilities, such as those related to structure, governance, stakeholder relations, sustainability, legal, regulatory and statutory compliance. These include statutory financial reporting requirements, the requirement to comply with all aspects of listing rules and the requirement to comply with employment law, information law and Health & Safety legislation. Recent amendments to UUW's Instrument of Appointment have further mandated new governance standards.

Non-compliance with existing or future UK or international laws or regulations (especially given the highly regulated environment in which the Group operates and in the context of uncertainty over the potential future status of EU legislation following Brexit) could result in additional workload and operating costs in justifying or defending the Group's position.

Failure to comply with legal obligations could lead to financial penalties, reputational harm and loss of customer and investor confidence. Fines up to 10% of group turnover could be imposed, particularly in the areas of environmental, health and safety, competition and information and data security. Ultimately sanctions could include revocation of the Instrument of Appointment (licence) and the imposition of a special administration regime.

Current key risks and issues include the challenge of continued regulatory compliance, and operating in accordance with competition law and Ofwat's "Level Playing Field" requirements (giving all non-household retailers an equal opportunity to compete to provide services to customers) whilst operating as a shareholder of a retailer within the evolving competitive non-household retail market.

In order to ensure that the wholesale part of the appointed business deals with multiple non-household suppliers in a manner that is consistent with the Level Playing Field, a compliance regime has been implemented in respect of UUW's wholesale business's relationship with all retailers so that no undue preference is shown. In addition, Ofwat has introduced changes to UUW's Instrument of Appointment to mandate this. This is in compliance with the Level Playing Field objective of allowing new entrants to the water retail market to compete effectively with established companies. Failure to comply with such rules and/or requirements could lead to financial penalties.

### **Human and IT resources**

The inability to have appropriately skilled people and provide effective and resilient human resources (including appropriate skill set), adequate customer, operational, information and data systems, telephony and operational or technological resource could damage the Group's operational activities and adversely impact business performance and profitability. This can also affect the ability to recruit and

retain knowledge/expertise or to recover effectively following an operational incident. In remote but extreme circumstances there is also the potential for higher levels of regulatory scrutiny, financial penalties, reputational damage and missed commercial opportunities.

COVID-19 could lead to significant staff absences, both through illness, shielding and/or covering of other essential roles. In addition, reduction in resources because of illness or self-isolation and the impacts of social distancing have potential impacts on service delivery, capital project delivery, ODIs and CMEX.

Current key risks and issues include ensuring that the Group continues to maintain high levels of employee engagement and to adequately train its employees to give them the right skills and knowledge so that they can deliver effectively in their roles. If effective succession planning is not maintained, talented people may not be managed and nurtured through their career development causing their skills and experience to be at risk of being lost to the Group.

There is a risk that the need to ensure that there is sufficient focus on investment in the development of technology and that people have the right skills to apply technology is inadequately addressed. Future growth may also depend upon an awareness of customers' increased use of technology for communication and monitoring their use of the Group's services and new delivery channels.

### **Material litigation**

Material litigation involving the following two matters is ongoing.

In February 2009, United Utilities International Limited ("UUIL") was served with notice of a multiparty 'class action' in Argentina related to the issuance and payment default of a US\$230 million bond by Inversora Eléctrica de Buenos Aires S.A. ("IEBA"), an Argentine project company set up to purchase one of the Argentine electricity distribution networks which were privatised in 1997. UUIL had a 45 per cent. shareholding in IEBA which it sold in 2005. The claim is for a non-quantified amount of unspecified damages and purports to be pursued on behalf of unidentified consumer bondholders in IEBA. UUIL has filed a defence to the action and continues to resist the proceedings. In August 2018, the Argentine Court of Appeal ruled that the matter would be tried as a class action. The next stage in the proceedings is for evidence to be submitted, following which a date will be set for a preliminary hearing to take place.

In March 2010, Manchester Ship Canal Company ("MSCC") issued proceedings seeking, amongst other relief, damages alleging trespass against UUW in respect of UUW's discharges of water and treated effluent into the canal. Whilst the UK Supreme Court has found substantively in UUW's favour on a significant element of the claim the matter has not reached a final conclusion, as MSCC has raised a number of additional points. The outstanding matters remain in dispute although it is not known when these will be determined by the courts.

In respect of enforcement action for regulatory compliance there continues to be a risk of higher environmental fines than in the past, potentially amounting to millions of pounds per incident. The guidelines of the Sentencing Council of England and Wales for environmental offences such as pollution incidents, which have been in effect since 1 July 2014, provide for a tariff of fines based on: 1) the level of a defendant's culpability, being either deliberate (the most serious), reckless, negligent or no culpability (the least serious); 2) the harm caused by the incident, categorised as either 1 (the most serious), 2, 3 or 4 (the least serious); and finally 3) the defendant company's financial turnover, with companies being classified as micro, small, medium or large. A large company is defined as having a turnover of over £50 million and under the guidelines could be liable to be fined up to £3 million for the most serious incidents. The guidelines provide that where a company's turnover very greatly exceeds the £50 million threshold, for such large companies it may be necessary to move outside the suggested range of fines. Water companies' turnovers generally exceed £50 million, with UUW's turnover being c£1.7 billion, and therefore water companies are likely to be susceptible to fines measured in millions of pounds for the most serious environmental incidents and also health and safety matters, where similar guidelines now apply.

High value litigation, if adversely determined, and/or fines could have an adverse effect on the Group's business and profitability.

### **Covid-19**

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including but not limited

to business closures, restrictions on non-essential business activity, travel restrictions, quarantines and cancellations of gatherings and events.

The long-term impact of COVID-19 on the Group's operations is highly uncertain and cannot be predicted accurately. The extent of any adverse impact on the Group's operations will depend on the global duration, extent and severity of the pandemic. By way of example, the Group may be negatively impacted by customers' inability to pay and increased operating costs. The Group continually assesses the impact of COVID-19 on all its stakeholders and monitors the rapidly changing situation.

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

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

#### **Risks associated with redemption**

If the applicable Final Terms specify that the Notes are redeemable at the option of each Issuer, or are otherwise subject to mandatory redemption, the Issuer may (in the case of optional redemption) or must (in the case of mandatory redemption) choose to redeem such Notes at times when prevailing interest rates may be relatively low. Accordingly, an investor generally may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

#### **Notes linked to interest rates, currencies or other indices or formulae**

With respect to an investment in Notes linked to one or more interest rates, currencies or other indices or formulae, significant risks exist that are not associated with a conventional fixed rate or floating rate debt security. Such risks include fluctuation of the particular indices or formulae and the possibility that an investor will receive a lower amount of principal, premium or interest and at different times than expected. The Issuers have no control over a number of matters, including economic, financial and political events that are important in determining the existence, magnitude and longevity of such risks and their results. In addition, if an index or formula used to determine any amounts payable in respect of the Notes contains a multiplier or leverage factor, the effect of any change in such index or formula will be magnified. In recent years, values of certain indices and formulae have been volatile and volatility in those and other indices and formulae may be expected in the future. However, past experience is not necessarily indicative of what may occur in the future.

#### **Index Linked Notes**

Each Issuer may issue Index Linked Notes where interest and redemption amounts will be adjusted by reference to movements in RPI, CPI or CPIH (each an "Index"), as the case may be, during a reference period.

A decrease in the relevant Index over the reference period will reduce the interest or redemption amounts payable in respect of such Notes. In a deflationary environment, (i) the annual interest received may be lower than the rate of interest specified in the applicable Final Terms and (ii) the amount to be repaid upon redemption of the Notes would be reduced to less than the nominal amount of the Notes (unless the applicable Final Terms specify a Minimum Redemption Amount (as defined in the Final Terms) which is equal to or higher than the nominal amount of the Notes). As a consequence, investors may lose the value of their entire investment or part of it. The historical experience of the relevant Index should not be viewed as an indication of future performance of such Index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Moreover, the methodology used by the Office for National Statistics for calculating RPI, CPI or CPIH may change over time which may affect the actual RPI, CPI or CPIH figure. Consequently, the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of Index Linked Notes may increase, or decrease, as a result of such a change to the RPI, CPI or CPIH methodology or basis of the calculation of the applicable index.

In particular, in March 2020, a public consultation was launched on proposals issued by the UK Statistics Authority (“UKSA”) to cease the publication of RPI, and, in the interim, to change the methodology used for calculating the RPI with the aim of it converging with the methodology for calculating CPIH. The consultation period closed in August 2020. The Chancellor of the Exchequer indicated that any such changes may be implemented no earlier than 2025.

If the relevant Index ceases to be published or where there is a fundamental change in the rules governing such Index, adjustments to such Index may be made, or a substitute index may be agreed. If an adjustment to such Index cannot be made or any substitute for such Index found then, in specified circumstances, the Issuer may redeem the Index Linked Notes early. See Conditions 7.5 and 9.3 for further detail.

The application of Conditions 7.5 and 9.3 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, or the timing of, any redemption of Index Linked Notes.

### **Reform and future unavailability, discontinuance or unrepresentativeness of certain “benchmark” rates**

So-called benchmarks such as the London Interbank Offered Rate (“LIBOR”), the Euro Interbank Offered Rate (“EURIBOR”), and other indices which are deemed “benchmarks” (each a “Benchmark” and together, the “Benchmarks”), to which the interest on securities may be linked, have been the subject of regulatory scrutiny and recent national and international regulatory guidance and reform.

In particular, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and the possible disincentives (including possibly as a result of Benchmark reforms) for market participants to continue contributing to such Benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR, at least on the current basis, cannot and will not be guaranteed after 2021.

In addition, since January, 2018, the Bank of England’s Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to Sterling Overnight Index Average (“SONIA”) over a four-year period across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate Benchmark by the end of 2021.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

Investors should be aware that, if LIBOR, EURIBOR or any other Benchmarks were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference the applicable Benchmark rate will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the applicable Benchmark rate is to be determined under the Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the applicable Benchmark rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when the applicable Benchmark rate was available. Either of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference the applicable Benchmark rate.

International reform has also been implemented. The Benchmarks Regulation took effect on 1 January 2018. The Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU (which, for these purposes, includes the UK). It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

Any changes to a Benchmark, as a result of the Benchmarks Regulation or other initiatives or the general increased regulatory scrutiny of Benchmarks, could have a material adverse effect on the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the effect of (i) discouraging market participants from continuing to administer or participate in certain Benchmarks, (ii) triggering changes in the rules or methodologies used in certain Benchmarks or (iii) leading to the disappearance of certain Benchmarks. Although it is uncertain whether or to what extent any of the aforementioned changes and/or any further changes in the administration or method of determining a Benchmark could have an effect on the value of the Notes, investors should be aware that they face the risk that any changes to the relevant Benchmark may have a material adverse effect on the value of and the amount payable under the Notes. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any other international or national reforms in making any investment decision with respect to any Notes linked to or referencing Benchmarks.

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

Notes may be issued as Sustainability Bonds (as defined below). The Final Terms relating to any specific Tranche of Notes may provide that it will be the relevant Issuer’s intention to apply the proceeds from an offer of those Notes (such Notes being “Sustainability Bonds”)

specifically for eligible projects and activities that are in keeping with the Sustainable Finance Framework (as further described in the section of this Offering Circular entitled “*Sustainable Finance Framework*”) (“Eligible Projects”). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular, no assurance is given by the relevant Issuer or any of the Dealers that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects.

The definition (legal, regulatory or otherwise) of, and market consensus as to what constitutes or may be classified as, a “sustainable”, “green”, “social” or equivalently-labelled project or a loan that may finance such project and the requirements of any such label are currently under development. On 18 December 2019, the Council and the European Parliament reached a political agreement on a regulation to establish a framework to facilitate sustainable development, further developed under Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the “Taxonomy Regulation”), which was published in the Official Journal of the EU on 22 June 2020 and entered into force on 12 July 2020 (albeit key provisions will be developed by delegated acts and will only come into force at a later date). Within the framework of the Taxonomy Regulation, the Technical Expert Group on Sustainable Finance (“TEG”) has been asked to develop recommendations for technical screening criteria for economic activities that can make a substantial contribution to climate change mitigation or adaptation. On 9 March 2020, the TEG published its final report on an EU classification system for sustainable activities (the “EU Taxonomy”). The report contains recommendations relating to the overarching design of the EU Taxonomy, as well as extensive implementation guidance on how companies and financial institutions can use and disclose against the taxonomy. The TEG’s recommendations are designed to support the European Commission in the development of the delegated act on climate change mitigation and climate change adaptation under the Taxonomy Regulation. In light of the continuing development of legal, regulatory and market conventions, no assurance is or can be given by the Group or the Dealers to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such “green”, “sustainable”, “social” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects. In addition, no assurance can be given by the Group, the Dealers or any other person to investors that any Notes will comply with any future standards or requirements regarding any “green”, “social”, “sustainable” or other equivalently-labelled performance objectives and, accordingly, the status of any Notes as being “green”, “social” or “sustainable” (or equivalent) could be withdrawn at any time.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the relevant Issuer) which may be made available in connection with the issue of any Notes and in particular with any Eligible Projects to fulfil any environmental, social and governance (“ESG”) and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Offering Circular. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the relevant Issuer, any of the Dealers or any other person to buy, sell or hold any such Notes or that any Eligible Projects fulfil any ESG and/or other criteria. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated ESG or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated) or included in an ESG bond index, no representation or assurance is given by the relevant Issuer, any of the Dealers or any other person that such listing, admission, or inclusion satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or assets or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the relevant Issuer, any of the Dealers or any other person that any such listing or admission to trading will

be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the relevant Issuer to apply the proceeds of any Notes so specified for Eligible Projects in, or substantially in, the manner described in this Offering Circular or the applicable Final Terms, there can be no assurance that the relevant project or asset(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for or towards such Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment and/or society) as originally expected or anticipated by the relevant Issuer. Any such event or failure by the relevant Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for or towards any Eligible Projects as aforesaid and/or the withdrawal of any such opinion or certification or any such opinion or certification attesting that the relevant Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance or re-finance Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for or towards a particular purpose.

None of the Dealers will verify or monitor the proposed use of proceeds of Notes issued under the Programme.

### ***Risks associated with the Notes generally***

#### **Modification, waivers and substitution**

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to: (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes; or (ii) determine that any Event of Default or Potential Event of Default (as defined in Condition 12) shall not be treated as such; or (iii) the substitution of another company as principal debtor under any Notes, in the circumstances described in Condition 20 of the Terms and Conditions of the Notes.

#### **Holding company structure**

Because UU is an intermediate holding company, its rights to participate in the assets of any subsidiary if it is liquidated will be subject to the prior claims of its subsidiary's creditors, except to the extent that UU may be a creditor with recognised claims ranking ahead of or *pari passu* with such prior claims against the subsidiary. UU's ability to make payments on debt obligations and pay certain operating expenses may be dependent on the receipt of dividends from its subsidiaries. In addition, certain of UU's subsidiaries have regulatory restrictions that can limit the payment of dividends and the operation of such restrictions could adversely impact the ability of UU to cover its operating expenses and/or make payments on its debt obligations.

#### **UUWF is a finance vehicle**

UUWF's primary business is the raising of money for the purpose of on-lending to UUW. UUWF is not an operating company; it is a special purpose vehicle with no other business other than issuing Notes. Substantially all of UUWF's assets will be loans and advances made by UUWF to UUW. UUWF is, therefore, dependent upon UUW paying interest on, and repaying, its loans in a timely fashion. If UUW failed to pay interest on, or repay, any loan in a timely fashion, this could have a material adverse effect on the ability of UUWF to fulfil its obligations under the Notes. It is for this reason the Notes are guaranteed by UUW. By virtue of its dependence on UUW, each of the risks described herein that affect UUW will also indirectly affect UUWF.

### **No limitation on issuing *pari passu* securities**

There is no restriction on the amount of securities (including further Notes) which each Issuer may issue which rank *pari passu* with the Notes being offered under the Programme. The issue of any such securities may reduce the amount recoverable by holders of the Notes in the event that the relevant Issuer is wound up or becomes insolvent or may increase the likelihood of a deferral of payments under the Notes.

### **Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued**

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

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

### **Noteholders' interests may be adversely affected by a change of law in relation to UK withholding tax**

In the event that amounts due under the Notes are subject to UK withholding tax, the Issuers or the Guarantor may not be obliged to pay additional amounts in relation thereto if Noteholders fall within certain exceptions to the obligation to pay such additional amounts. In addition, the Issuers may, in certain circumstances, redeem the Notes (as described in Condition 9.2 of the Notes). The applicability of any UK withholding tax, and the potential for redemption of the Notes in certain instances, may impact the price an investor receives for such Notes or the ability of an investor to sell such Notes at all. The applicability of any UK withholding tax under current law is discussed under "*Taxation – UK Taxation*".

### **Change of law**

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

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

One or more independent credit rating agencies may assign credit ratings to the relevant Issuers, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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



not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). If the status of the rating agency rating the Notes changes, European and UK regulated investors may no longer be able to use the rating for regulatory purposes and Notes may have a different regulatory treatment. This may result in European and UK regulated investors selling the Notes which may have an impact on the Notes and any secondary market. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular. Where a Tranche of Notes is rated, such rating will be specified in the applicable Final Terms and will not necessarily be the same as the rating of the Programme.

***Risks associated with the market generally***

**The Issuers cannot assure an active secondary market for the Notes will ever develop or be maintained**

The Issuers cannot assure an established trading market for the Notes when issued, nor that one will ever develop or be maintained. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable with similar investments that have a developed secondary market. Many factors independent of the creditworthiness of each Issuer affect the trading market. These factors include:

- the complexity and volatility of the index or formula applicable to the Notes;
- the method of calculating the principal, premium and interest in respect of the Notes;
- the time remaining to the maturity of the Notes;
- the outstanding amount of the Notes;
- the redemption features of the Notes;
- the amount of other debt securities linked to the index or formula applicable to the Notes; and
- the level, direction and volatility of market interest rates generally.

In addition, certain Notes have a more limited trading market and experience more price volatility because they were designed for specific investment objectives or strategies. There may be a limited number of buyers when an investor decides to sell such Notes. This may affect the price an investor receives for such Notes or the ability of an investor to sell such Notes at all. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors. An investor should not purchase Notes unless such an investor understands and can bear these investment risks as each may adversely impact the value and saleability of such Notes.

**Exchange rate risks and exchange controls**

The relevant Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency-equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

**The value of Fixed Rate Notes may be adversely affected by movements in market interest rates**

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or sections of documents) which have previously been published or are published simultaneously with this Offering Circular shall be incorporated in, and form part of, this Offering Circular:

- (a) (i) the sections headed ‘Guide to Alternative Performance Measures (APMs)’ and ‘Underlying profit’ of UUG’s annual report 2020 at pages 90-91 (inclusive) (*accessible at: <http://unitedutilities.annualreport2020.com/site-essentials/downloads/annual-report-2020>*); and
- (ii) the sections headed ‘Guide to Alternative Performance Measures (APMs)’ and ‘Underlying profit’ of UUG’s annual report 2019 at pages 66-67 (inclusive) (*accessible at: [https://www.unitedutilities.com/globalassets/z\\_corporate-site/investor-pdfs/2019-financial-news/united-utilities-2019-web.pdf](https://www.unitedutilities.com/globalassets/z_corporate-site/investor-pdfs/2019-financial-news/united-utilities-2019-web.pdf)*); and
- (b) the section headed ‘Underlying profit’ at pages 21-24 (inclusive) of UUG’s half year results for the six months ended 30 September 2020 (*accessible at: <https://www.unitedutilities.com/globalassets/documents/pdf/united-utilities-202021-half-year.pdf>*);
- (c) the sections of the annual reports 2020 and 2019 (consisting of the auditor’s report and statutory annual financial statements for each of the financial years ended 31 March 2020 and 31 March 2019 of UU, UUWF, the Guarantor and UUG) set out at the following pages (in each case, inclusive):

### United Utilities PLC

Annual Financial Statements 2020 (*accessible at: <https://www.unitedutilities.com/globalassets/documents/pdf/united-utilities-plc-mar.pdf>*)

• independent auditor’s report	Pages 92-100
• consolidated income statement	Page 101
• consolidated statement of comprehensive income	Page 102
• consolidated and company statements of financial position	Page 103
• consolidated statement of changes in equity	Page 104
• company statement of changes in equity	Page 105
• consolidated and company statements of cash flows	Page 106
• accounting policies	Pages 107-113
• notes to the financial statements	Page 114-180

Annual Financial Statements 2019 (*accessible at: <https://www.unitedutilities.com/globalassets/documents/pdf/united-utilities-plc.acc19.pdf>*)

• independent auditor’s report	Pages 49-55
• consolidated income statement	Page 56

• consolidated statement of comprehensive income	Page 57
• consolidated and company statements of financial position	Page 58
• consolidated statement of changes in equity	Page 59
• company statement of changes in equity	Page 60
• consolidated and company statements of cash flows	Page 61
• accounting policies	Pages 62-68
• notes to the financial statements	Pages 69-127

#### **United Utilities Water Finance PLC**

[Annual Financial Statements 2020](http://www.unitedutilities.com/globalassets/documents/pdf/uu-water-finance-plc-stats---mar-20.pdf) (accessible at: [www.unitedutilities.com/globalassets/documents/pdf/uu-water-finance-plc-stats---mar-20.pdf](http://www.unitedutilities.com/globalassets/documents/pdf/uu-water-finance-plc-stats---mar-20.pdf))

• independent auditor's report	Pages 6-9
• income statement	Page 10
• statement of financial position	Page 11
• statement of changes in equity	Page 12
• notes to the financial statements	Pages 13-18

[Annual Financial Statements 2019](https://www.unitedutilities.com/globalassets/documents/pdf/uu-water-finance-plc-stats---mar-19-v1.0.pdf) (accessible at: <https://www.unitedutilities.com/globalassets/documents/pdf/uu-water-finance-plc-stats---mar-19-v1.0.pdf>)

• independent auditor's report	Pages 6-9
• income statement	Page 10
• statement of financial position	Page 11
• statement of changes in equity	Page 12
• notes to the financial statements	Pages 13-18

#### **United Utilities Water Limited**

[Annual Financial Statements 2020](https://www.unitedutilities.com/globalassets/documents/pdf/uuw-limited-mar-2020.pdf) (accessible at: <https://www.unitedutilities.com/globalassets/documents/pdf/uuw-limited-mar-2020.pdf>)

• independent auditor's report	Pages 136-144
• consolidated income statement	Page 145

• consolidated statement of comprehensive income	Page 146
• consolidated and company statement of financial position	Page 147
• consolidated and company statement of changes in equity	Page 148
• consolidated and company statement of cash flows	Page 149
• accounting policies	Pages 150-155
• notes to the financial statements	Pages 156-212

Annual Financial Statements 2019 (accessible at: <https://www.unitedutilities.com/globalassets/documents/pdf/uu-limited-march-2019-acc19.pdf>)

• independent auditor's report	Pages 107-113
• consolidated income statement	Page 114
• consolidated statement of comprehensive income	Page 115
• consolidated and company statement of financial position	Page 116
• consolidated and company statement of changes in equity	Page 117
• consolidated and company statement of cash flows	Page 118
• accounting policies	Pages 119-125
• notes to the financial statements	Pages 126-173

#### **United Utilities Group PLC**

Annual Financial Statements 2020 (accessible at: <http://unitedutilities.annualreport2020.com/site-essentials/downloads/annual-report-2020>)

• independent auditor's reports	Pages 194-200
• consolidated income statement	Page 201
• consolidated statement of comprehensive income	Page 201
• consolidated and company statements of financial position	Page 202
• consolidated statement of changes in equity	Page 203
• company statement of changes in equity	Page 204
• consolidated and company statements of cash flows	Page 205
• accounting policies	Pages 207-210

- notes to the financial statements Pages 211-251

Annual Financial Statements 2019 (accessible at: [https://www.unitedutilities.com/globalassets/z\\_corporate-site/investor-pdfs/2019-financial-news/united-utilities-2019-web.pdf](https://www.unitedutilities.com/globalassets/z_corporate-site/investor-pdfs/2019-financial-news/united-utilities-2019-web.pdf))

- independent auditor's reports Pages 156-161
- consolidated income statement Page 162
- consolidated statement of comprehensive income Page 162
- consolidated and company statements of financial position Page 163
- consolidated statement of changes in equity Page 164
- company statement of changes in equity Page 165
- consolidated and company statements of cash flows Page 166
- accounting policies Pages 168-171
- notes to the financial statements Pages 172-208

- (d) the sections of the half year results of UUG (consisting of the auditor's independent review report and half-yearly financial report for the six months ended 30 September 2020 of UUG) set out at the following pages (in each case, inclusive):

Half Year Results for the six months ended 30 September 2020 (accessible at: <https://www.unitedutilities.com/globalassets/documents/pdf/united-utilities-202021-half-year.pdf>)

- consolidated income statement Page 28
- consolidated statement of comprehensive income Page 29
- consolidated statement of financial position Page 30
- consolidated statement of changes in equity Pages 31-32
- consolidated statement of cash flows Page 33
- notes to the financial statements Pages 34-50
- independent review report Page 52; and

- (e) the Terms and Conditions of the Notes contained in each of the following Offering Circulars (in each case, accessible at: <https://www.unitedutilities.com/corporate/investors/credit-investors/debt-issuance/>):

- the Offering Circular dated 4 October 2002;
- the Offering Circular dated 6 October 2004;
- the Offering Circular dated 23 November 2005;

- the Offering Circular dated 23 November 2006;
- the Offering Circular dated 14 November 2008;
- the Offering Circular dated 19 November 2014;
- the Offering Circular dated 17 November 2015;
- the Offering Circular dated 15 November 2016;
- the Offering Circular dated 14 November 2017;
- the Offering Circular dated 21 November 2018; and
- the Offering Circular dated 21 November 2019.

Following the publication of this Offering Circular, a supplement may be prepared by the Issuers and approved by the FCA in accordance with Article 23 of the Prospectus Regulation. Any statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Only the information in the parts of the documents specified above is incorporated into and forms part of this document. Information in other parts of the documents is either covered elsewhere in the document or is not relevant for the investor.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular for the purposes of the Prospectus Regulation.

The Issuers and the Guarantor will, in the event of any significant new factor, material mistake or material inaccuracy relating to information included in this Offering Circular which may affect the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons (“Coupons”) and receipts for the payment of instalments of principal (“Receipts”) attached, or registered form, without Coupons or Receipts attached. Bearer Notes and Registered Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”).

### **Bearer Notes**

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a temporary global note (a “Temporary Bearer Global Note”) or, if so specified in the applicable Final Terms, a permanent global note (a “Permanent Bearer Global Note” and, together with a Temporary Bearer Global Note, each a “Bearer Global Note”) which, in either case, will:

- (a) if the Bearer Global Notes are intended to be issued in NGN form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “Common Safekeeper”) for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”); and
- (b) if the Bearer Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the “Common Depository”) for, Euroclear and Clearstream, Luxembourg.

Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether such Bearer Global Notes are intended to be held in a manner that would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are to be so held does not necessarily mean that the Bearer Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note 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 the Temporary Bearer Global Note 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, in respect of each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, Receipts, Coupons and talons attached (as indicated 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 Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless upon due certification exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be in NGN form) without any requirement for certification. The applicable Final Terms will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, Receipts, Coupons and talons attached only upon the occurrence of an Exchange Event. For these purposes, “Exchange Event” means that (i) an Event of Default (as defined in Condition 12) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no



alternative clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 10 which would not be required were the Notes represented by the Permanent Bearer Global Note in definitive form. The relevant Issuer will promptly give notice to the Noteholders in accordance with Condition 16 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 Note) or the 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 relevant Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

If the Bearer Global Note may be exchanged for definitive Bearer Notes in circumstances other than upon the occurrence of an Exchange Event, only one Specified Denomination can be specified (or all Specified Denominations must be an integral multiple of the lowest Specified Denomination). The clearing systems will not accept the Bearer Notes for clearing if the “EUR 100,000 plus integral multiples of EUR1,000” construct is used unless exchange of the Bearer Global Note for definitive Bearer Notes is limited to the occurrence of an Exchange Event.

The exchange of a Permanent Bearer Global Note for definitive Bearer Notes upon notice from Euroclear and/or Clearstream (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Bearer Notes are issued with a minimum Specified Denomination such as EUR 100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as EUR 1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Bearer Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Notes.

In the case of each Tranche of Bearer Notes, the applicable Final Terms will specify whether U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (“TEFRA C”) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) or U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (“TEFRA D”) is applicable in relation to the Notes. The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), Receipts and Coupons relating to such Notes where TEFRA D is specified in the applicable final Terms:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

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

### **Registered Notes**

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a “Registered Global Note”).

Registered Global Notes will be deposited with a common depository or, if the Registered Global Notes are intended to be held under the NSS, a common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common Depository of Euroclear and Clearstream, Luxembourg or in the name of a nominee of the Common Safekeeper, as specified in the applicable Final Terms.

Where the Registered Global Notes issued in respect of any Tranche are held under the NSS, the applicable Final Terms will also indicate whether such Registered Global Notes are intended to be held in a manner that would allow Eurosystem eligibility. Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for a Registered Global Note held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear or Clearstream, Luxembourg.

Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Payments of principal, interest (if any) and any other amount in respect of a Registered Global Note will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 8.4) as the registered holder of the relevant Registered Global Note. None of the Issuers, the Guarantor, the Trustee, 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 a Registered Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest (if any) or any other amount in respect of a Registered Note in definitive form will, in the absence of provision to the contrary, be made to the person(s) shown on the Register on the relevant Record Date (as defined in Condition 8.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in the Trust Deed) has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for a common depository or a common safekeeper for Euroclear and Clearstream, Luxembourg, the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 10 which would not be required were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 16 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Registrar 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 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.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

## **General**

Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*") the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until 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 Notes of such Tranche.

For so long as any of the Notes is represented by a Global Note 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 Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the relevant Issuer and its agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly.

Noteholders who hold the Notes 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 Notes such that their holding is an integral multiple of a Specified Denomination.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Final Terms.

Any reference herein to the Common Depositary shall, whenever the context so permits, be deemed to include references to any successor common depositary or any additional or alternative common depositary as is approved by the relevant Issuer, the Principal Paying Agent and the Trustee.

## FORM OF FINAL TERMS

[Date]

**[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS -** The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”) or in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (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 (the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]<sup>2</sup>

**[MiFID II product governance / Professional investors and eligible counterparties only target market –** Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [MiFID II/Directive 2014/65/EU (as amended, “MiFID II”)]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Details of any negative target market to be included if applicable]*. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

**[Notification under Section 309B(1) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) –** *To insert notice of classification of the Notes is not “prescribed capital markets products” or Excluded Investment Products]*<sup>3</sup>

[UNITED UTILITIES PLC  
LEI: 213800KYT12UFB2VE455]  
[UNITED UTILITIES WATER FINANCE PLC  
LEI: 213800313INX42GDLR44]  
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
[unconditionally and irrevocably guaranteed by UNITED UTILITIES WATER LIMITED]  
under the EUR 7,000,000,000  
Euro Medium Term Note Programme

## PART A - CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 26 November 2020 [and the supplement[s] to it dated [date] [and [date]]] which [together] constitute[s] a base prospectus for the purposes of [the Prospectus Regulation / Regulation (EU) 2017/1129 (the “Prospectus Regulation”)] (the “Offering Circular”). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction

<sup>2</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products or the issuer wishes to prohibit offers to EEA and UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>3</sup> Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the relevant Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

with the Offering Circular in order to obtain all the relevant information. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “Conditions”) set forth in the Offering Circular dated [*original date*] which are incorporated by reference in the Offering Circular dated 26 November 2020. This document constitutes the Final Terms of the Notes described herein for the purposes of [the Prospectus Regulation / Regulation (EU) 2017/1129 (the “Prospectus Regulation”)] and must be read in conjunction with the Offering Circular dated 26 November 2020 [and the supplement[s] to it dated [*date*] [and [*date*]]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the “Offering Circular”) in order to obtain all the relevant information, including the Conditions incorporated by reference in the Offering Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.]

1. (a) Issuer: [United Utilities PLC/United Utilities Water Finance PLC]
- (b) [Guarantor [United Utilities Water Limited]]
2. (a) Series Number: [ ]
- (b) Tranche Number: [ ]
- (c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [24] below, which is expected to occur on or about [ ]][Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (a) Series: [ ]
  - (b) Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus [ ] days’ accrued interest from (and including) [ ] to (but excluding) [ ] (*if applicable*)]
6. (a) Specified Denominations: [ ] [EUR [100,000] and integral multiples of EUR [1,000] in excess thereof up to and including EUR [199,000]. No Notes in definitive form will be issued with a denomination above EUR [199,000].]
- (b) Calculation Amount for Notes in definitive form (and in relation to calculation of interest for Notes in global form see Conditions): [ ]

7. (a) Issue Date: [ ]
- (b) Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
8. Maturity Date: [*Specify date/or for Floating rate notes - Interest Payment Date falling in or nearest to [ ]*]
9. Interest Basis: [[ ] per cent. Fixed Rate] [ ] [+/-] [ ] per cent. [Floating Rate] [Zero Coupon] [Index Linked Interest] (see paragraph [15/16/17/18] below)
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[98][99][100][101][102] per cent. of their nominal amount]][Par][Index Linked Redemption] [Instalment]
11. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ] paragraph [15/16] applies and for the period from (and including) [ ], up to (but excluding) the Maturity Date paragraph [15/16] applies] [Not Applicable]
12. Put/Call Options: [Not Applicable] [Investor Put] [Issuer Call] (see paragraph [19/20/21] below)
13. (a) Status of the Notes: Senior, unsecured
- (b) Status of the Guarantee: Senior, unsecured
- (b)/(c) Date [Board] approval for issuance obtained: [ ]
14. Method of Distribution: [Syndicated/Non-syndicated]

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

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [ ] per cent. per annum payable [annually/semi-annually/quarterly] in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Payment Date falling [in/on] [ ]/Not Applicable]

Conditions):

(e) Day Count Fraction: [Actual/Actual (ICMA)] [30/360]  
 [Actual/Actual (ISDA)][Actual/Actual]  
 [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]

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

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

(a) Specified Period(s)/Specified Interest Payment Dates: [ ]

(b) First Interest Payment Date: [ ]

(c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]

(d) Additional Business Centre(s): [ ]

(e) Manner in which the Rate of Interest and Interest Amount are to be determined: [Screen Rate Determination/ISDA Determination]

(f) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ]

(g) Screen Rate Determination:

- Reference Rate, Relevant Time and Relevant Financial Centre: Reference Rate: [ ] month [LIBOR/AUD-BBR-BBSW/CAD-BA-CDOR/HIBOR/TIBOR/PRIBOR/EURIBOR]

Relevant Time: [ ] in the Relevant Financial Centre

Relevant Financial Centre:

[London/Brussels/Sydney/Toronto/Hong Kong/Tokyo/Prague]

- Interest Determination Date(s): [Second London business day prior to the start of each Interest Period]  
 [First day of each Interest Period]  
 [Second day on which the TARGET2 System is open prior to the start of each Interest Period]  
 [Second Tokyo business day prior to the start of each Interest Period]  
 [Second Prague business day prior to the start of each Interest Period]  
 [[ ] days prior to the start of each Interest Period]

- Relevant Screen Page: [ ]
- (h) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (i) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for [the/each] [long/short][first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (j) Margin(s): [+/-] [ ] per cent. per annum
- (k) Minimum Rate of Interest: [ ] per cent. per annum
- (l) Maximum Rate of Interest: [ ] per cent. per annum
- (m) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond basis]  
[30E/360 (ISDA)]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (a) Accrual Yield: [ ] per cent. per annum
- (b) Reference Price: [ ]
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]
18. **Index Linked Interest/Redemption Note Provisions** [Applicable – Conditions [6] and [7] apply/Not Applicable]
- (a) Index: [RPI/CPI/CPIH]
- (b) Rate of Interest: [ ] per cent. per annum multiplied by the Index Ratio (in accordance with Condition [6.3])
- (c) Name and address of Calculation Agent: [ ]
- (d) Specified Period(s)/Specified [ ]



## Interest Payment Dates:

- (e) Business Day Convention: [Not Applicable/Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]
- (f) Additional Business Centre(s): [ ] [Not Applicable]
- (g) Day Count Fraction: [Actual/Actual (ICMA)]  
 [30/360 (as set out in Condition [6.2(d)])] [Actual/Actual (ISDA)]  
 [Actual/Actual]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30/360 (as set out in Condition [6.2(d)])] [360/360][Bond Basis]  
 [30E/360][Eurobond basis]  
 [30E/360 (ISDA)]  
 [Index Day Count Fraction]
- (h) Base Index Figure: [ ]
- (i) Index Figure applicable to: [[ ] month lag applies] [Not Applicable]
- (j) t: [ ] [Not Applicable]
- (k) Reference Gilt: [[ ] per cent. Index-Linked Treasury Stock due [ ]]  
 [Not Applicable]
- (l) Minimum Rate of Interest: [ ] per cent. per annum
- (m) Maximum Rate of Interest: [ ] per cent. per annum

**PROVISIONS RELATING TO REDEMPTION**

19. Notice periods for Condition 9.2: Minimum period: [ ] days  
 Maximum period: [ ] days
20. Issuer Call: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (i) Minimum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (ii) Maximum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (c) If redeemable in part:

- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (d) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
21. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [ ] per Calculation Amount
- (i) Minimum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (ii) Maximum Optional Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (c) Notice periods: Minimum period: [ ] days  
Maximum period: [ ] days
22. Final Redemption Amount: [ ] per Calculation Amount
- (i) Minimum Final Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (ii) Maximum Final Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
23. Early Redemption Amount payable on redemption for taxation reasons, indexation reasons or on event of default: [ ] per Calculation Amount
- (i) Minimum Early Redemption Amount: [[ ] per Calculation Amount/Not Applicable]
- (ii) Maximum Early Redemption Amount: [[ ] per Calculation Amount/Not Applicable]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: [Bearer Notes:
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes only upon an Exchange Event]
- [Temporary Global Note exchangeable for Definitive Bearer

Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes only upon an Exchange Event]]

[Registered Notes: Global Note registered in the name of a nominee for Euroclear and Clearstream, Luxembourg / a common safekeeper for Euroclear or Clearstream, Luxembourg]

- 25. New Global Notes (“NGN”) / New Safekeeping Structure (“NSS”): [NGN/NSS/No]
- 26. Additional Financial Centre(s): [Not Applicable/[ ]]
- 27. Talons for future Coupons or Receipts to be attached to Definitive Notes: [Yes/No]
- 28. Redenomination applicable: Redenomination [not] applicable
- 29. Details Relating to Instalment Notes [Applicable]/[Not Applicable]
  - (a) Instalment Amount(s) [ ]
  - (b) Instalment Dates [ ]

**[THIRD PARTY INFORMATION**

[ ] has been extracted from [ ]. [Each of the][The] Issuer [and the Guarantor] confirm[s] 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 information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....

[Duly authorised]

Signed on behalf of the Guarantor:

By: .....

[Duly authorised]

**PART B - OTHER INFORMATION****1. LISTING**

- (a) Listing: London
- (b) Admission to trading: Application [has been]/[will be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange's regulated market and listing on the Official List of the FCA] with effect from [ ].

*(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading)*

- (c) Estimate of total expenses related to [ ] admission to trading:

**2. RATINGS**

Ratings: [Not Applicable]/[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally:

“[ ]” by [*insert the legal name of the relevant credit rating entity(/ies) and associated defined terms*]

[Each of [*defined terms*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “CRA Regulation”).]

*[Insert brief explanation of the meaning of the ratings, if this has previously been published by the rating provider]*

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

[Save for any fees [of [*insert relevant fee disclosure*]] payable to [the] [[ ] [(“Managers”)/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and their affiliates in the ordinary course of business.] – *Amend as appropriate if there are other interests.*

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

- (a) [Reasons for the offer: [*See “Use of Proceeds” in the Offering Circular/Give details*][The Issuer intends to issue the Notes as Sustainability Bonds (as defined in the Offering Circular) and apply an amount equal to the net proceeds from this issue of Notes to eligible projects and activities that are in keeping with the Sustainable Finance Framework (as defined and further described in the section of the Offering

Circular entitled, “*Sustainable Finance Framework*”).]]

(b) [Estimated net proceeds: [ ]]

(c) [Estimated total expenses: [ ]]

## 5. YIELD

Indication of yield: [ ]

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

## 6. PERFORMANCE OF INTEREST RATES

Details of performance of [LIBOR/EURIBOR/TIBOR/PRIBOR/HIBOR/AUD-BBR-BBSW/CAD-BA-CDOR] rates can be obtained from [Reuters/Bloomberg/give details of electronic means of obtaining the details of performance].

## 7. OPERATIONAL INFORMATION

(a) ISIN: [ ]

(b) Common Code: [ ]

(c) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/[ ]]

(d) Delivery: Delivery [against/free of] payment

(e) Names and addresses of additional Paying Agent(s) (if any): [ ]

(f) Intended to be held in a manner that would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common Safekeeper] [include this text for Registered Notes that are into be held under the NSS] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs

acting as common Safekeeper] [*include this text for Registered Notes that are into be held under the NSS*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 8. BENCHMARKS REGULATION

*(Floating Rate Notes calculated by reference to benchmarks only)* [Not Applicable]

[Amounts payable under the Notes will be calculated by reference to [*specify benchmark (as this term is defined in Regulation (EU) 2016/1011 (the “Benchmarks Regulation”))*] which is provided by [*legal name of the benchmark administrator*]. As at the date of these Final Terms, [*legal name of the benchmark administrator*] [*appears/does not appear*] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmarks Regulation.]

[[As far as the Issuer is aware, [*specify benchmark (as this term is defined in the Benchmarks Regulation)*] [*does not fall within the scope of the Benchmarks Regulation by virtue of Article 2 thereof/the transitional provisions in Article 51 of the Benchmarks Regulation apply*] such that [*legal name of the benchmark administrator*] is not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence).]]

## 9. DISTRIBUTION

- (a) If syndicated, names of Managers: [Not Applicable/[ ]]
- (b) If non-syndicated, name of relevant Manager: [ ]
- (c) Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA not applicable]
- (d) Prohibition of Sales to EEA and UK Retail Investors: [Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key*

*information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

- (e) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions and/or will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by United Utilities PLC (“UU”) or United Utilities Water Finance PLC (“UUF”) (each an “Issuer” and, together, the “Issuers”) constituted by an Amended and Restated Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated 15 November 2016 made between the Issuers and United Utilities Water Limited (the “Guarantor”) as guarantor of Notes issued by UUF and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include any successor as trustee).

References herein to the “Notes” shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a “Global Note”), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (“Bearer Notes”) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (“Registered Notes”) (whether or not issued in exchange for a Global Note in registered form).

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

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Amended and Restated Agency Agreement (such Agency Agreement, as amended and/or supplemented and/or restated from time to time, the “Agency Agreement”) dated 15 November 2016 and made between the Issuers, the Guarantor, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the “Principal Paying Agent”, which expression shall include any successor principal paying agent), the other paying agents named therein (together with the Principal Paying Agent, the “Paying Agents”, which expression shall include any additional or successor paying agents), Citibank, N.A., London Branch as registrar (in such capacity, the “Registrar”, which expression shall include any successor registrar) and as transfer agent (in such capacity, the “Transfer Agent”, which expression shall include any additional or successor transfer agents) and the Trustee. The Principal Paying Agent, the Registrar, the Paying Agents and other Transfer Agents together referred to as the “Agents”.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the “applicable Final Terms” are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU, and including any relevant implementing measure in a relevant Member State of the European Economic Area).



Interest bearing definitive Bearer Notes have interest coupons (“Coupons”) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, 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. Notes in definitive bearer form which are repayable in instalments have receipts (“Receipts”) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Trustee acts for the benefit of the Noteholders (which expression shall mean (in the case of Bearer Notes) the holders for the time being of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Coupons (the “Couponholders”, which expression shall, unless the context otherwise requires, include the holders of the Talons) and the holders of Receipts (the “Receiptholders”), in accordance with the provisions of the Trust Deed.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing and admission to trading) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes 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 thereon and the date from which interest starts to accrue.

Copies of the Trust Deed, the Agency Agreement and the applicable Final Terms are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at 15 November 2016 at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of each of the Paying Agents and the Registrar. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is not to be admitted to trading on the regulated market of the London Stock Exchange, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the relevant Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Couponholders and the Receiptholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

## **1. FORM, DENOMINATION AND TITLE**

The Notes are in bearer form or in registered form as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the currency (the “Specified Currency”) and the denominations (the “Specified Denomination(s)”) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

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

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

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The relevant Issuer, the Guarantor (where the relevant Issuer is UUWF), any Paying Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any

Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (“Euroclear”) and/or Clearstream Banking S.A. (“Clearstream, Luxembourg”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF), the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF) any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely on such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## **2. TRANSFERS OF REGISTERED NOTES**

### **2.1 Transfers of interests in Registered Global Notes**

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or 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 Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same series 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 Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

### **2.2 Transfers of Registered Notes in definitive form**

Subject as provided in Condition 2.3 below, upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Registered Note 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 Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of 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 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 relevant Issuer and the Registrar may from time to time prescribe, the initial such regulations being set out in Schedule 3 to the Agency Agreement. Subject as provided above, the relevant Transfer Agent will, as soon as reasonably practicable (upon receipt of the relevant request), 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 Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a

Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

### **2.3 Registration of transfer upon partial redemption**

In the event of a partial redemption of Notes under Condition 9, the relevant Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

### **2.4 Costs of registration**

Noteholders 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 relevant 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.

## **3. STATUS OF THE NOTES AND THE GUARANTEE**

### **3.1 Status of the Notes**

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the relevant Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

### **3.2 Status of the Guarantee**

The payment of principal, premium (if any) and interest in respect of the Notes issued by UUWF and all other moneys payable by UUWF under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the "Guarantee"). The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Guarantor and (subject as aforesaid and save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

## **4. NEGATIVE PLEDGE**

So long as any of the Notes remains outstanding (as defined in the Trust Deed) neither the relevant Issuer nor (where the relevant Issuer is UUWF) the Guarantor will create or permit to subsist any mortgage, charge, pledge, lien or other form of security interest upon the whole or any part of its undertaking, revenues or assets, present or future, to secure payment of any present or future Relevant Indebtedness (as defined below) of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor or any Subsidiary (as defined in the Trust Deed) of either the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor or to secure any guarantee or indemnity in respect thereof, without at the same time according to the Notes or, as the case may be, to the obligations under the Guarantee, to the satisfaction of the Trustee, the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity, or such other security as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

"Relevant Indebtedness" means any present or future indebtedness (whether being principal, premium or interest) for borrowed money (other than indebtedness for borrowed money with an initial maturity falling 20 years or more after the Issue Date of the first Tranche of the Notes and having a maximum principal amount outstanding at any time not exceeding the greater of £250,000,000 and 20 per cent. of Adjusted Capital and Reserves (as defined in Condition 12.2) or indebtedness for borrowed money which has a stated maturity not exceeding one year) which is in the form of, or represented or evidenced by, bonds, notes, debentures, debenture stock, loan stock or other securities, whether issued for cash or in whole or in part for a consideration other than cash and which, with the agreement of the relevant Issuer, are quoted, listed, dealt in or traded on a stock exchange or over the counter or other recognised securities market (whether or not distributed by way of private placement).

## 5. REDENOMINATION

### 5.1 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the relevant Issuer may, without the consent of the Trustee, the Noteholders and the Couponholders, on giving prior notice to the Trustee, the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 16, elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each Note equal to the nominal amount of that Note in the Specified Currency, converted into euro at the Established Rate, provided that, if the relevant Issuer determines, with the consent of the Trustee and the Principal Paying Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the relevant Issuer shall promptly notify the Noteholders in accordance with Condition 16, the stock exchange or other relevant authority (if any) on which the Notes are listed and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Receipts or Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the relevant Issuer in the denominations of euro 1,000, euro 10,000, euro 100,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Trustee and the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Trustee and the Principal Paying Agent shall determine and as shall be notified to the Noteholders in accordance with Condition 16;
- (d) if definitive Notes have been issued prior to the Redenomination Date, all unmatured Receipts and Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the relevant Issuer gives notice (the "Exchange Notice") that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such Notes, Receipts and/or Coupons are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes so issued will also become void on that date although those Notes will continue to constitute valid exchange obligations of the relevant Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Trustee and the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro 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;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date it will be calculated:

- (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
- (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction (as defined in Condition 6.1), and rounding the resultant figure to the nearest sub-unit (as defined in Condition 6.1) of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with the applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding;

- (g) if the Notes are Floating Rate Notes the applicable Final Terms specifies any relevant changes to the provisions relating to interest.

## 5.2 Definitions

In these Terms and Conditions, the following expressions have the following meanings:

“Established Rate” means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

“euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

“Redenomination Date” means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the relevant Issuer in the notice given to the Noteholders pursuant to Condition 5.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union or otherwise participates in European economic and monetary union in a manner with similar effect to such third stage; and

“Treaty” means the Treaty establishing the European Community, as amended.

## 6. INTEREST

### 6.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

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

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

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

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“Day Count Fraction” means, in respect of the calculation of an amount of interest in accordance with this Condition 6.1.

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the “Accrual Period”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) 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
    - (B) 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 (as specified in the applicable Final Terms) that would occur in one calendar year; and
- (b) 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;
- (c) if “Actual/Actual (ISDA)” or “Actual/Actual” 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 (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (d) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (e) 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;

“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.

## **6.2 Interest on Floating Rate Notes**

### **(a) Interest Payment Dates**

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

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) 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. In these Terms and Conditions, “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 a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 6.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) 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
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, “Business Day” means a day which is both:

- (1) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- (2) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is New Zealand dollars, shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “TARGET2 System”) is open.

**(b) Rate of Interest**

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

**(i) ISDA Determination for Floating Rate Notes**

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 sub-paragraph (i), “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, each as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the “ISDA Definitions”) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (i), (i) “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions; and (ii) “Euro-zone” means the region comprised of Member States of the European Union that adopt or have adopted the single currency in accordance with the Treaty.

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

Where Screen Rate 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, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,



(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at the Relevant Time in the Relevant Financial Centre 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 Principal Paying 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 Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

For the purposes of these Conditions:

“Interest Determination Date” shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is the London interbank offered rate (“LIBOR”) (other than Sterling LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, the first day of each Interest Period;
- (iii) if the Reference Rate is the Euro-zone interbank offered rate (“EURIBOR”), the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (iv) if the Reference Rate is the Tokyo interbank offered rate (“TIBOR”), the second Tokyo business day prior to the start of each Interest Period;
- (v) if the Reference Rate is the Hong Kong interbank offered rate (“HIBOR”), the first day of each Interest Period;
- (vi) if the Reference Rate is the Prague interbank offered rate (“PRIBOR”), the second Prague business day prior to the start of each Interest Period;
- (vii) if the Reference Rate is the Canadian dealer offered rate (“CAD-BA-CDOR”), the first day of each Interest Period; or
- (viii) if the Reference Rate is the Australian bank bill swap interest rate (“AUD-BBR-BBSW”), the first day of each Interest Period.

“Reference Rate” shall mean (i) LIBOR; (ii) EURIBOR; (iii) TIBOR; (iv) HIBOR; (v) PRIBOR; (vi) CAD-BA-CDOR; or (vii) AUD-BBR-BBSW, in each case for the relevant period, as specified in the applicable Final Terms.

“Relevant Financial Centre” shall mean (i) London, in the case of determination of LIBOR; (ii) Brussels, in the case of a determination of EURIBOR; (iii) Tokyo, in the case of a determination of TIBOR; (iv) Hong Kong, in the case of a determination of HIBOR; (v) Prague, in the case of a determination of PRIBOR; (vi) Toronto, in the case of a determination of CAD-BA-CDOR; or (vii) Sydney, in the case of determination of AUD-BBR-BBSW.

“Relevant Time” shall mean the time specified in the Final Terms or if none is specified: (i) in the case of LIBOR, 11.00 a.m.; (ii) in the case of EURIBOR, 11.00 a.m.; (iii) in the case of TIBOR, 11.00 a.m.; (iv) in the case of HIBOR, 11.00 a.m.; (v) in the case of PRIBOR, 11.00 a.m.; (vi) in the case of CAD-BA-CDOR, 10.00 a.m.; or (vii) in the case of AUD-BBR-BBSW, 10.10 a.m., in each case in the Relevant Financial Centre.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

**(c) Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies 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 Condition 5.2(b) 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 specifies 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 Condition 5.2(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and calculation of Interest Amounts**

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

The Principal Paying Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 6.2:

- (a) if "Actual/Actual (ISDA)" or "Actual/Actual" 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 (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) 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, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (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:

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

where:

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

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

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

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

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

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

- (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:

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

where:

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

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

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

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

“D<sub>1</sub>” 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 D<sub>1</sub> will be 30; and

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

“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.

**(e) Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter, or, as the case may be, next longer, then the Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Designated Maturity” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

**(f) Notification of Rate of Interest and Interest Amounts**

The Principal Paying 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 relevant Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes 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 16 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 promptly be notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 16. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(g) Determination or Calculation by Trustee**

If for any reason at any relevant time the Principal Paying Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with sub-paragraph (b)(i) or (ii) above as the case may be, and in each case (d) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent.

**(h) 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 6.2, whether by the Principal Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF), the Trustee, the Principal Paying Agent, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF), the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**6.3 Interest on Index Linked Notes**

This Condition 6.3 applies to Index Linked Notes only.

**(a) Interest Payment Dates**

Each Index Linked Note bears interest on its outstanding nominal amount (in the case of Index Linked Notes represented by a Global Note) or the Calculation Amount (in the case of Index Linked Notes in definitive form) from (and including) the Interest Commencement Date at the rate per annum equal to the Rate of Interest, and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) 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.

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

- (A) in any case where Specified Periods are specified in accordance with Condition 6.3(a)(ii) 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 (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or

- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) 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
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, "Business Day" means a day which is both:

- I. a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
- II. either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and Any Additional Business Centre and which, if the Specified Currency is New Zealand dollars shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of Index Linked Notes will be the product of the rate per annum specified in the applicable Final Terms and the Index Ratio (as determined in accordance with Condition 7.1) rounded to six decimal places (0.0000005 being rounded upwards).

**(c) Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies 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 Condition 6.3(b) 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 specifies 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 Condition 6.3(b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and calculation of Interest Amounts**

The Calculation Agent will, at or as soon as practicable after each time at which the Rate of Interest is capable of being determined, determine the applicable Rate of Interest and notify the Principal Paying Agent as soon as practicable after determining the same.

The amount of interest payable on each Index Linked Note for any Interest Period (the "Interest Amount") will be calculated by the Calculation Agent by applying the Rate of Interest to:

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

and, in each case, multiplying such product by the Day Count Fraction specified in the applicable Final Terms and:

- (A) defined in Condition 6.1;
- (B) defined in Condition 6.2; or
- (C) in the case of Notes which pay interest on a semi-annual basis, the Day Count Fraction which is a fraction (1) the numerator of which is the number of days from and including the most recent Interest Payment Date (or Interest Commencement Date if such period is before the first scheduled Interest Payment Date) (to but excluding the next Interest Payment Date or, if earlier, the date of payment); and (2) the denominator of which is two times the number of days (including the first and excluding the last) in the Interest Period (the "Index Day Count Fraction"),

and rounding the resulting 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 the applicable market convention).

Where the Specified Denomination of an Index Linked Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**(e) Notification of Rate of Interest and Interest Amounts**

The Principal Paying 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 relevant Issuer, the Trustee, the other Paying Agents and any stock exchange, or other relevant authority, on which the relevant Index Linked Notes 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 16 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 listing authority, on which the relevant Index Linked Notes are for the time being listed, or by which they have been admitted to listing, and to the Noteholders in accordance with Condition 16. For the purpose of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(f) Determination or Calculation by the Trustee**

If for any reason the Calculation Agent at any time after the Issue Date defaults in its obligation to determine or calculate:

- (i) the Rate of Interest;
- (ii) any Interest Amount in accordance with Condition 6.3(c) above;
- (iii) in relation to Notes redeemable in instalments, the Instalment Amount(s);
- (iv) the Final Redemption Amount; or
- (v) the Early Redemption Amount,

the Trustee shall determine or calculate the same in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition 6.3 and to the provisions of Condition 7) and in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent (and, where practicable, in accordance with this Condition).

**(g) 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 6.3, whether by the Calculation Agent, the Principal Paying Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF), the Calculation Agent, the Principal Paying Agent, the Trustee, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of the aforesaid) no liability to the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF), the Noteholders, the Receiptholders or the Couponholders shall attach to the Calculation Agent, the Principal Paying Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**6.4 Accrual of interest**

Each Index Linked Note (or, in the case of the redemption of part only of an Index Linked Note, that part only of such Index Linked Note) 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 Trust Deed.

**7. INDEXATION**

This Condition 7 is applicable only if the applicable Final Terms specifies the Notes as Index Linked Notes.

**7.1 Definitions**

In these Conditions:

“Base Index Figure” means (subject to Condition 7.3) the base index figure as specified in the relevant Final Terms;

“Calculation Date” means any date when an Interest Amount or principal amount, as the case may be, falls due;

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

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

“Expert” means a gilt-edged market maker, an independent investment bank or other expert in London appointed by the relevant Issuer;

“Index” or “Index Figure” means, subject as provided in Conditions 7.3, 7.5 and 9.3, either RPI, CPI or CPIH as specified in the relevant Final Terms;



Where RPI is specified as the Index in the relevant Final Terms, any reference to the “Index Figure applicable” to a particular Calculation Date shall, subject as provided in Conditions 7.3, 7.5 and 9.3, and if “3 months lag” is specified in the applicable Final Terms, be calculated in accordance with the following formula:

$$RPI_{m-3} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (RPI_{m-2} - RPI_{m-3})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

“RPI<sub>m-3</sub>” means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due; and

“RPI<sub>m-2</sub>” means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due;

Where RPI is specified as the Index in the relevant Final Terms, any reference to the “Index Figure applicable” to a particular Calculation Date shall, subject as provided in Conditions 7.3, 7.5 and 9.3, and if “8 months lag” is specified in the applicable Final Terms, mean the Index Figure for the first day of the month that is eight months prior to the month in which the payment falls due;

Where CPI is specified as the Index in the relevant Final Terms, any reference to the “Index Figure applicable” to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.3, be calculated in accordance with the following formula:

$$CPI_{m-t} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (CPI_{m-(t-1)} - CPI_{m-t})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

“CPI<sub>m-t</sub>” means the Index Figure for the first day of the month that is t months prior to the month in which the payment falls due, where the lag period “t” has a value of 2 to 24 as specified in the applicable Final Terms;

Where CPIH is specified as the Index in the relevant Final Terms, any reference to the “Index Figure applicable” to a particular Calculation Date shall, subject as provided in Conditions 6.3, 6.5 and 8.3, be calculated in accordance with the following formula:

$$CPIH_{m-t} + \frac{(\text{Day of Calculation Date} - 1)}{(\text{Days in month of Calculation Date})} \times (CPIH_{m-(t-1)} - CPIH_{m-t})$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

“CPIH<sub>m-t</sub>” means the Index Figure for the first day of the month that is t months prior to the month in which the payment falls due, where the lag period “t” has a value of 2 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 that is indexed to the same Index as the Notes and whose average maturity most closely matches that of the Notes as the Expert shall determine to be appropriate;

“Index Ratio” applicable to any Calculation Date means the Index Figure applicable to such month or date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards);

“Reference Gilt” means the Treasury Stock specified in the applicable Final Terms (or, if such stock is not in existence, such other index-linked stock issued by or on behalf of HM Government as the relevant Issuer, on the advice of the Expert, may consider to be the most appropriate reference government stock for the Index Linked Notes); and

“RPI” means the U.K. Retail Price Index (for all items) published by the Office for National Statistics (January 1987 = 100) as published by HM Government.

## **7.2 Indexation of Principal**

The Final Redemption Amount, the Early Redemption Amount and the Optional Redemption Amount in respect of the Index Linked Notes shall be the nominal amount of the Index Linked Notes multiplied by the Index Ratio applicable to the date on which the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount (as the case may be) becomes payable (as determined in accordance with Condition 7.1), provided that:

- (a) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount is specified in the applicable Final Terms and such amount is greater than the amount of principal in respect of the Notes determined in accordance with this Condition 7.2 (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount and/or Minimum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and/or
- (b) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount and/or Maximum Optional Redemption Amount is specified in the applicable Final Terms and such amount is less than the amount of principal in respect of the Notes determined in accordance with this Condition 6.2 (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount or Maximum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and
- (c) the Calculation Agent will calculate the Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount (as the case may be) as soon as reasonably practicable after each time such amount is capable of being determined and will notify the Principal Paying Agent thereof as soon as practicable after calculating the same. The Principal Paying Agent will as soon as practicable thereafter notify the relevant Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 16.

## **7.3 Changes in Circumstances Affecting the Index**

- (a) Change in Base: If at any time and from time to time the Index is changed by the substitution of a new base for it, then with effect from (and including) the month in respect of which such substitution takes effect:
  - (i) the definition of Index and Index Figure in Condition 7.1 shall be deemed to refer to the month and/or year (as applicable) in substitution for January 1987 (where RPI is specified as the Index in the relevant Final Terms) or 2015 (where CPI or CPIH is specified as the Index in the relevant Final Terms) (or, as the case may be, for such other date or month as may have been substituted for it); and
  - (ii) the definition of Base Index Figure in Condition 7.1 shall be amended to mean the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index immediately prior to such substitution.

- (b) Delay in publication of the Index: If in relation to a particular Interest Period or to the redemption of all or some only of the Notes and otherwise than in circumstances which the relevant Issuer certifies to the Trustee may fall with Condition 7.5 or Condition 9.3 (notwithstanding that the relevant Issuer may subsequently be advised that they do not fall within Condition 7.5 or Condition 9.3), the Index Figure relating to any month (the “calculation month”) which is required to be taken into account for the purposes of the determination of the Index Figure applicable to any date is not published on or before the fourteenth day before the date on which such payment is due (the “date for payment”), the Index Figure for the relevant calculation month shall be:
- (i) the substitute index figure (if any) as is published by the Bank of England or the United Kingdom Debt Management Office (or such other United Kingdom authority as may be appropriate) for the purposes of indexation or payments on the Reference Gilt or the Indexed Benchmark Gilt (as applicable) or, failing such publication, on any one or more of HM Government’s index-linked stocks that is indexed to the same Index as the Notes, as determined by the Expert; or
  - (ii) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.

#### **7.4 Application of Changes**

Where the provisions of Condition 7.3(b) apply, the relevant Issuer shall deliver to the Principal Paying Agent and Calculation Agent a certificate, acting on the sole advice of the Expert, as to the Index Figure applicable to the date for payment which shall be conclusive and binding. If a substitute index is published as specified in Condition 7.3(b)(i) above, a determination made based on that Index shall be final and no further payment by way of adjustment shall be made, notwithstanding that the Index Figure applicable to the date for payment may subsequently be published.

If no substitute index is so published and the index relating to the date for payment is subsequently published then:

- (a) in the case of an Index Linked Note not falling due for redemption on the date for payment of interest or principal (as the case may be), if the index so subsequently published (if published when such Note remains outstanding) is greater or less than the Index applicable by virtue of Condition 7.3(b)(ii), the interest payable on that Note on the Interest Payment Date next succeeding the date of such subsequent publication shall be increased or reduced to reflect the amount by which the interest or principal (as the case may be) next payable on that Note on the date for payment on the basis of the index applicable by virtue of the preceding paragraph fell short of, or (as the case may be) exceeded the interest or principal (as the case may be) which would have been payable on that Note if the Index subsequently published had been published on or before the fourteenth business day before the date for payment; or
- (b) in the case of any Note falling due for final redemption on the date of payment, no subsequent adjustment to amounts paid will be made.

#### **7.5 Cessation of or Fundamental Changes to the Index**

If the Index ceases to be published or any changes are made to it which, in the opinion of the Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the relevant Issuer or the Noteholders and if, within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), the Expert recommends for the purposes of the Index Linked Notes one or more adjustments to the Index or substitute index (with or without adjustments), then provided that such adjustments or substitute index (as the case may be) are not materially detrimental (in the opinion of the Expert) either to the interests of the relevant Issuer or the interests of the Noteholders, as compared to the interests of the relevant Issuer and the Noteholders (as the case may be) as they would have been had the Index continued to be published or such fundamental change in the rules governing the Index had not been made, the Index shall be adjusted as so recommended or (as the case may be) shall be replaced by the substitute index so recommended (as so adjusted, if so recommended) and references in these Conditions to the Index shall be construed accordingly and the relevant Issuer shall notify the Noteholders of the adjustments to the Index or the introduction of the substitute index (with or without adjustments) in accordance with Condition 16.

If any payment in respect of the Index Linked Notes is due to be made after the cessation or changes referred to in the preceding paragraph but before any such adjustment to, or replacement of, the Index takes effect, the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor shall (if the Index Figure applicable (or deemed applicable) to the date of payment is not available in accordance with the provisions of Condition 6.1) make a provisional payment on the basis that the Index Figure applicable to the date for payment is the Index last published. In that event or in the event of any payment on the Index Linked Notes having been made on the basis of an index deemed applicable under Condition 7.3(b)(i) above (also referred to below as a “provisional payment”) the Expert subsequently determines that the relevant circumstances fall within this Condition 7.5, then:

- (a) except in the case of a payment on redemption of the Index Linked Notes, if the sum which would have been payable if such adjustments or such substitute index had been in effect on the due date for such provisional payment is greater or less than the amount of such provisional payment, the interest payable on the Index Linked Notes on the Interest Payment Date next succeeding the date on which the relevant Issuer and the Trustee receive such recommendation shall be increased or reduced to reflect the amount by which such provisional payment of interest fell short or, (as the case may be) exceeded, the interest which would have been payable on the Notes if such adjustments or such substituted index had been in effect on that date; or
- (b) in the case of a payment of principal or interest on redemption of the Notes, no subsequent adjustment to amounts paid will be made.

## **7.6 Trustee Action and/or Steps**

The Trustee shall be entitled to assume that no cessation of or change to the Index has occurred until informed otherwise by the relevant Issuer and it will not be responsible for identifying or appointing an Expert. The Trustee may rely absolutely on any determination made or advice given by the Expert without need for further investigation.

## **8. PAYMENTS**

### **8.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or 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 New Zealand dollars, shall be Auckland); and
- (b) 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 any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10, and to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto and the relevant Issuer will not be liable to holders for any taxes or duties of whatsoever nature imposed or levied by such laws, agreements or regulations.

## **8.2 Presentation of definitive Bearer Notes, Receipts and Coupons**

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 8.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 8.1 above only 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 8.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the relevant Issuer. Upon the date on which any definitive Bearer Note 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 Notes in definitive bearer form (other than Index Linked Notes) and save as provided in Condition 6.4) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 10) 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 Note 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 Note or Index Linked Note 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.

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

## **8.3 Payments in respect of Bearer Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

#### 8.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (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 Note 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 Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "Register") (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg, are open for business) before the relevant due date, and (ii) where in definitive form, 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. 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 New Zealand dollars, shall be Auckland) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg, are open for business) before the relevant due date, and (ii) where in definitive form, 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"). Payment of the interest due in respect of each Registered Note on redemption will be made in the same manner as payment of the principal amount of such Registered Note.

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 Notes.

None of the relevant Issuer, the Guarantor, 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 Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

#### 8.5 General provisions applicable to payments

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

Notwithstanding the provisions of Condition 8.1 above, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of Bearer Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the relevant 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 at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) 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

- (c) such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer and (where the relevant Issuer is UUWF) the Guarantor, adverse tax consequences to the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor.

## **8.6 Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 11) is:

- (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:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) any Additional Financial 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 (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is New Zealand dollars shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

## **8.7 Interpretation of principal and interest**

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

- (a) 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 thereof, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amount(s);
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 9.6(c)); and
- (g) any premium and any other amounts which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10 or under any undertaking or covenant given in addition thereto, or in substitution thereof, pursuant to the Trust Deed.

## **9. REDEMPTION AND PURCHASE**

### **9.1 Redemption by Instalments and Redemption at maturity**

- (a) Unless previously redeemed or purchased and in each case cancelled as specified below, each Note (including each Index Linked Note) that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified in the relevant Final Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date (as defined in Condition 10) relating to such Instalment Amount.
- (b) Unless previously redeemed or purchased and in each case cancelled as specified below, each Note (including each Index Linked Note) will be redeemed by the relevant Issuer at its Final Redemption Amount specified in the applicable Final Terms or, in the case of a Note falling within sub-paragraph (a) above, its final Instalment Amount (subject, in the case of Index Linked Notes to adjustment in accordance with Condition 7.2) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### **9.2 Redemption for tax reasons**

Subject to Condition 9.6, the Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if the Note is neither a Floating Rate Note nor an Index Linked Note) or on any Interest Payment Date (if the Note is either a Floating Rate Note or an Index Linked Note), on giving not less than the minimum period and not more than the maximum period of notice specified in applicable Final Terms (in the event that such periods are not so specified, the minimum period will be not less than 30 days and the maximum period will be not more than 60 days) to the Trustee and the Principal Paying Agent and, in accordance with Condition 16, the Noteholders (which notice shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately before the giving of the notice referred to above that on the occasion of the next payment due under the Notes, the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor has or will become obliged to pay additional amounts as provided or referred to in Condition 10 as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision of, or any authority in, or of, the United Kingdom having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is UUWF) would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer or, as the case may be, two Directors of the Guarantor (where the relevant Issuer is UUWF) stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of the change or amendment (as referred to above) which has occurred (irrespective of whether such change or amendment is then effective) describing the facts leading thereto and accompanied by an opinion in a form satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such change or amendment is then effective) and the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is UUWF) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 9.2 will be redeemed at their Early Redemption Amount referred to in Condition 9.6 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.



### 9.3 Redemption for Index Reasons

- (a) In the case of Index Linked Notes, if:
- (i) the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), or states to the relevant Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments), as described in Condition 6.5, the relevant Issuer shall, within 14 days of the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to their nominal amount multiplied by the Index Ratio applicable to the date on which the date fixed for redemption falls, together with accrued interest; or
  - (ii) the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the relevant Issuer and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee may in its sole discretion agree), or states to the relevant Issuer and the Trustee that it is unable to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments), as described in Condition 6.5, the relevant Issuer may at its option, within 14 days of the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall not be more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to their nominal amount multiplied by the Index Ratio applicable to the date on which the date fixed for redemption falls, together with accrued interest.

### 9.4 Redemption at the option of the relevant Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the relevant Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms (in the event that such periods are not so specified, the minimum period will be not less than 30 days and the maximum period will be not more than 90 days) to the Noteholders in accordance with Condition 15; (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed (“Redeemed Notes”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by a Global Note, 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 Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 16 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 9.4 and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 16 at least five days prior to the Selection Date.

### 9.5 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 16 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (in the event that such periods are not so specified, the minimum period will be not less than 30 days and the maximum period will be not more than 90 days), the relevant Issuer will, upon the expiry of such notice, redeem in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar, falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "Put Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

### 9.6 Early Redemption Amounts

For the purpose of Condition 9.2 and 9.4 and Condition 12, the Notes will be redeemed at their Early Redemption Amount calculated as follows:

- (a) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of Notes (other than Zero Coupon Notes) 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 Notes are denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (c) in the case of Zero Coupon Notes, at an amount (the "Amortised Face Amount") equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Notes become due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (1) in the case of a Zero Coupon Note other than a Zero Coupon Note payable in euro, on the basis of a 360-day year consisting of 12 months of 30 days each and (2) in the case of a Zero Coupon Note payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365).

- (d) In the case of Index Linked Notes, at the outstanding nominal amount thereof, subject to adjustment in accordance with Condition 7.2.

### **9.7 Purchases**

The relevant Issuer, the Guarantor (where the relevant Issuer is UUWF) or any Subsidiary (as defined in the Trust Deed) of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor, surrendered to any Paying Agent or the Registrar for cancellation.

### **9.8 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to Condition 9.7 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

### **9.9 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 9.1, 9.2, 9.4 or 9.5 above or upon its becoming due and repayable as provided in Condition 12 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 9.6(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Principal Paying Agent, the Registrar or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 16.

## 10. TAXATION

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

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment in the United Kingdom; or
- (c) presented for payment to, or to a third party on behalf of, a holder who would not be liable to such withholding or deduction if such holder had made a declaration of non-residence or similar claim for exemption to any authority of or in the United Kingdom; or
- (d) where such withholding or deduction is 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; or
- (e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day.

As used herein, the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the 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 moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 16.

## 11. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 10) 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 8.2 or any Talon which would be void pursuant to Condition 8.2.

## 12. EVENTS OF DEFAULT AND ENFORCEMENT

12.1 The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to it being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of any of the events mentioned in Conditions 12.1(b), (c), (e), (f) and (g), below in relation to the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor and (c) to (g) below (inclusive) in relation to a Material Subsidiary, only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the relevant Issuer that the Notes are, and they shall accordingly thereupon become, immediately due and repayable at their Early Redemption Amount, together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing:

- (a) if default is made by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor for a period of 14 days or more in the payment of any principal or interest due in respect of the Notes or any of them; or
- (b) if default is made by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor in the performance or observance of any material obligation, condition or provision binding upon it under the Notes or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Notes) and, except where such default is, in the opinion of the Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Trustee may permit) after written notice thereof has been given by the Trustee to the relevant Issuer or, as the case may be, the Guarantor (where the relevant Issuer is UUWF) requiring the same to be remedied; or
- (c) (1) any indebtedness for moneys borrowed (as defined below) of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor or any Material Subsidiary or (2) any present or future guarantee for, or indemnity in respect of, any indebtedness for moneys borrowed of any person given by the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF) or any Material Subsidiary where the relevant indebtedness for moneys borrowed when aggregated with all other indebtedness for moneys borrowed in respect of which one or more other events referred to in this paragraph (c) shall have occurred exceeds whichever is the greater of £30,000,000 (or the equivalent in other currencies as determined by the Trustee) and two per cent. of the Adjusted Capital and Reserves:
  - (i) is not paid or repaid or honoured when due or within any applicable grace period; or
  - (ii) is declared to be or becomes enforceable, redeemable or repayable prior to the due date for payment thereof as a result of any actual default by the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF) or any Material Subsidiary, as the case may be, or as a result of an event of default (howsoever described) in relation thereto, unless such default or event of default is waived or remedied (to the satisfaction of the Trustee) within thirty business days,

except, in any such case, where there is a bona fide dispute as to payment; or

- (d) if an order is made or a resolution is passed for the winding up of, or an administration order is made in relation to, the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF) or any Material Subsidiary (save, in the case of a Material Subsidiary, (i) with the prior consent of the Trustee or the prior sanction of an Extraordinary Resolution for the purposes of or in connection with an amalgamation or reconstruction, or (ii) a voluntary solvent winding-up where surplus assets are available for distribution); or

- (e) if an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any substantial part of the undertaking, property and assets of the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF) or any Material Subsidiary or if a distress, execution or other process is levied or enforced upon or sued out against the whole or any substantial part of the assets of the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF) or any Material Subsidiary and, in the case of any of the foregoing events, is not discharged within 60 days or such longer period as the Trustee may allow; or
- (f) if the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF) or any Material Subsidiary is unable to pay its debts within the meaning of Section 123(2) of the Insolvency Act 1986; or
- (g) if the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF) or any Material Subsidiary shall cease to carry on the whole or substantially the whole of its business, save in any case for the purposes of amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement:
  - (i) (where the relevant Issuer is UU) not involving or arising out of the insolvency of UU or a Material Subsidiary and under which all or substantially all of its assets are transferred to UU or a Material Subsidiary or one or more of UU's other Subsidiaries or to a transferee or transferees which is or are, or immediately upon such transfer become(s), a Material Subsidiary or Material Subsidiaries provided that this exception (i) shall not apply where the transferor company is UU unless assets comprising the major part by value of the assets owned by UU immediately prior to such transfer are transferred to a single transferee company and contemporaneously with such transfer (y) such transferee company assumes (to the satisfaction of the Trustee) all the obligations of UU as principal debtor in respect of the Notes and (z) UU unconditionally and irrevocably guarantees (to the satisfaction of the Trustee) the payment of all amounts payable by such transferee company as the new principal debtor; or
  - (ii) (where the relevant Issuer is UUWF) not involving or arising out of the insolvency of UUWF, the Guarantor or a Material Subsidiary and under which all or substantially all of its assets are transferred to UUWF, the Guarantor or a Material Subsidiary or one or more of UUWF's or the Guarantor's Subsidiaries or to a transferee or transferees which is or are, or immediately upon such transfer become(s), a Material Subsidiary or Material Subsidiaries provided that this exception (ii) shall not apply where the transferor company is UUWF or the Guarantor unless assets comprising the major part by value of the assets owned by the relevant transferor company immediately prior to such transfer are transferred to a single transferee company and contemporaneously with such transfer (1) where the transferor company is UUWF (y) such transferee company assumes (to the satisfaction of the Trustee) all the obligations of UUWF as principal debtor in respect of the Notes and (z) UUWF or the Guarantor unconditionally and irrevocably guarantees (to the satisfaction of the Trustee) the payment of all amounts payable by such transferee company as the new principal debtor and (2) where the transferor company is the Guarantor, such transferee company guarantees (to the satisfaction of the Trustee) the payment of all amounts payable by UUWF as the relevant Issuer in respect of the Notes; or
  - (iii) under which all or substantially all of its assets are transferred to a third party or parties (whether associates or not) for full consideration on an arm's length basis; or
  - (iv) the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders provided that in no event shall the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor or any Material Subsidiary be deemed to have ceased to carry on the whole or substantially the whole of its business solely by reason of any forced divestiture imposed by any government or regulatory body or by reason of the loss of the Appointment; or
- (h) in the case of Notes issued by UUWF, the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect.

## 12.2 Definitions

For the purposes of this Condition:

“Accounts” means, to the extent an Issuer has Subsidiary Undertakings, a consolidation of the annual accounts of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor and (in each case) its Subsidiary Undertakings as prepared by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor, and audited and reported upon by the Auditors in accordance with United Kingdom generally accepted accounting practices and principles, including International Financial Reporting Standards as adopted by the European Union, as applicable;

“Adjusted Capital and Reserves” means at any time a sum equal to the aggregate of:

- (a) the amount paid up or credited as paid up on the issued share capital of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor; and
- (b) the amounts standing to the credit of the capital and revenue reserves of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor and its respective Subsidiary Undertakings (including any share premium account and capital redemption reserve) after adding thereto any balance standing to the credit of the profit and loss account;

all based on the consolidated balance sheet of (where the relevant Issuer is UU) UU or (where the relevant Issuer is UUWF) the Guarantor and, in each case, their respective Subsidiary Undertakings as contained in the then latest Accounts but after:

- (i) excluding all sums set aside for taxation (whether in respect of deferred taxation or otherwise);
- (ii) making such adjustments as may be appropriate in respect of any variation in the amount of such share capital or such reserves subsequent to the relevant balance sheet date and so that for this purpose share capital allotted shall be deemed to have been issued and if any issue or proposed issue of shares by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor for cash has been underwritten then such shares shall be deemed to have been issued and the amount (including any premium) of the subscription moneys payable in respect thereof (not being moneys payable later than six months after the date of allotment) shall to the extent so underwritten be deemed to have been paid up on the date when the issue of such shares was underwritten (or, if such underwriting was conditional, on the date when it became unconditional in all respects);
- (iii) making such adjustments as may be appropriate in respect of any distributions declared, recommended or made by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor or any of their respective Subsidiary Undertakings out of profits earned up to and including the date of such balance sheet to the extent that such distribution is not provided for in such balance sheet;
- (iv) making such adjustments as may be appropriate in respect of any variation in the interests of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor in their respective Subsidiary Undertakings (including, but without limiting the generality of the foregoing, any acquisition of a new Subsidiary Undertaking or disposal of an interest which causes an undertaking to cease to be a Subsidiary Undertaking) since the date of such balance sheet;
- (v) if the calculation is required for the purposes of or in connection with a transaction under or in connection with which any company is to become or cease to be a Subsidiary Undertaking of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor, making all such adjustments as would be appropriate if such transaction had been carried into effect;
- (vi) excluding all minority interests and other third party interests in Subsidiary Undertakings of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor;
- (vii) deducting any balance to the debit of the profit and loss account;

- (viii) deducting all amounts (if any) attributable to goodwill or any other intangible assets;
- (ix) excluding such part of the interests of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor or any of their respective Subsidiary Undertakings in an associated company (as defined in the Trust Deed), not being a Subsidiary Undertaking of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor, as is attributable to any post-acquisition undistributed profits and reserves, but including such interests at original cost or, if lower, book value;
- (x) deducting (if not otherwise excluded) such amount as the Auditors shall consider appropriate in respect of any deferred taxation liabilities on the net amount by which the fixed assets of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor and their respective Subsidiary Undertakings shall have been written up as a result of any revaluation, and for this purpose a transfer of any assets by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor to any of their respective Subsidiary Undertakings, or by any of their respective Subsidiary Undertakings to the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor or another of their respective Subsidiary Undertakings, for a consideration in excess of the book value thereof shall be deemed to be a writing up of the book value of such asset as a result of a revaluation;
- (xi) deducting therefrom all amounts attributable (whether by way of share or loan capital or otherwise) to the interests of the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor and their respective Subsidiary Undertakings (other than Excluded Subsidiaries) in Excluded Subsidiaries; and
- (xii) making such other adjustments (if any) as the Auditors may consider appropriate;

and so that no amount shall be included or excluded more than once in the same calculation.

The certificate of the Auditors as to the amount of the Adjusted Capital and Reserves at any time shall, in the absence of manifest error, be conclusive and binding on all parties.

“Appointment” means the Instrument of Appointment dated 24 August, 1989 under Sections 11 and 14 of the Water Act 1989 (as varied from time to time) appointing United Utilities Water Limited as a water undertaker and sewerage undertaker;

“Auditors” means the auditors for the time being of the relevant Issuer or the Guarantor (as the case may be) or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the Trust Deed, such other firm of chartered accountants as the Trustee may in writing nominate or approve for the purpose;

“Excluded Subsidiary” means any Subsidiary of UU (where the relevant Issuer is UU) or (where the relevant Issuer is UUWF) the Guarantor (i) which is a single purpose company whose principal assets and business are constituted by the ownership, acquisition, development and/or operation of an asset, (ii) none of whose liabilities in respect of the financing of such ownership, acquisition, development and/or operation of an asset is subject to any recourse whatsoever to any member of the Group other than an Excluded Subsidiary, and (iii) which has been designated as such by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor by written notice to the Trustee; provided that the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor may give written notice to the Trustee at any time that any Excluded Subsidiary is no longer an Excluded Subsidiary, whereupon it shall cease to be an Excluded Subsidiary;

“Group” means (where the relevant Issuer is UU) UU or (where the relevant Issuer is UUWF) the Guarantor and, in each case, their respective Subsidiaries and “member of the Group” shall be construed accordingly;



“indebtedness for moneys borrowed” means any present or future indebtedness (being principal, premium or interest) for or in respect of (a) all moneys borrowed, (b) liabilities under or in respect of any acceptance or acceptance credit and (c) all notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash which is not for the time being owned by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor or any of their respective Subsidiary Undertakings and which does not amount to Project Finance Indebtedness;

“Material Subsidiary” means (A) if the relevant Issuer is UU, any Subsidiary of the Issuer or (B) if the relevant Issuer is UUWF, any Subsidiary of the Guarantor (but excluding UUWF) and, in each case, not being an Excluded Subsidiary (i) whose gross revenues earned from outside the Group or whose gross assets (in each case consolidated in respect of a Subsidiary which itself has Subsidiaries, and in each case attributable to UU (where the relevant Issuer is UU) or (where the relevant Issuer is UUWF) the Guarantor all as shown in the latest audited accounts (consolidated or, as the case may be, unconsolidated)) of such Subsidiary represent 20 per cent. or more of the consolidated gross revenues or, as the case may be, consolidated gross assets (in each case attributable to the shareholders of its ultimate parent) of UU (where the relevant Issuer is UU) or (where the relevant Issuer is UUWF) the Guarantor and in each case their respective Subsidiary Undertakings (other than Excluded Subsidiaries) all as shown in the latest Accounts; or (ii) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary under this sub-paragraph (ii) but shall cease to be a Material Subsidiary upon publication of its next audited accounts unless it would then be a Material Subsidiary under (i) above. A report by the Auditors (whether or not addressed to the Trustee) that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

“Project Finance Indebtedness” means any indebtedness for moneys borrowed to finance the ownership, acquisition, development and/or operation of an asset (whether or not an asset of a member of the Group):

- (a) which is incurred by an Excluded Subsidiary; or
- (b) in respect of which the person or persons to whom any such indebtedness for moneys borrowed is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than an Excluded Subsidiary) for the repayment thereof other than:
  - (i) recourse for amounts limited to the cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset; and/or
  - (ii) recourse for the purpose only of enabling amounts to be claimed in respect of such indebtedness for moneys borrowed in an enforcement of any encumbrance given by such borrower over such asset or the income, cash flow or other proceeds deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such indebtedness for moneys borrowed, provided that (1) the extent of such recourse to such borrower is limited solely to the amount of any recoveries made on any such enforcement, and (2) such person or persons is/are not entitled, by virtue of any right or claim arising out of or in connection with such indebtedness for moneys borrowed, to commence proceedings for the winding up or dissolution of the borrower or to appoint or procure the appointment of any receiver, trustee or similar person or officer in respect of the borrower or any of its assets (save for the assets the subject of such encumbrance); and/or
  - (iii) recourse to such borrower generally, or directly or indirectly to a member of the Group, under any form of assurance, undertaking or support, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation by the person against whom such recourse is available (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect thereof or any obligation to comply or to procure compliance by another with any financial ratios or other tests of financial condition);

“Subsidiary” means a subsidiary within the meaning of Section 1159 of the Companies Act 2006; and

“Subsidiary Undertaking” has the meaning ascribed thereto in Section 1162 of the Companies Act 2006 (but, in relation to each Issuer or (where the relevant Issuer is UUWF) the Guarantor, shall exclude any Subsidiary Undertaking whose accounts are not included in the then latest Accounts, or (in the case of a Subsidiary Undertaking which has first become a Subsidiary Undertaking of a member of the Group since the date as at which such Accounts were prepared) would not have been so included or consolidated if it had become so on or before that date).

### **12.3 Enforcement**

The Trustee shall not be bound to take any proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in aggregate amount of the Notes then outstanding and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities which it may incur by so doing.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure is continuing.

### **13. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Coupons or Receipts) or the Registrar (in the case of Registered Notes) 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 relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

### **14. AGENTS**

The initial Paying Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

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

- (a) there will at all times be a Principal Paying Agent and, whilst any Registered Notes are outstanding, a Registrar and, whilst any Index Linked Notes are outstanding, a Calculation Agent;
- (b) so long as the Notes 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 Notes) and a Registrar and Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor is incorporated.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the relevant Issuer and (where the relevant Issuer is UUWF) the Guarantor and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## 15. 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 Note to which it appertains) a further Talon, subject to the provisions of Condition 11.

## 16. NOTICES

All notices regarding the Bearer Notes 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 relevant 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 Notes are for the time being listed or by which they have been admitted to trading. 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, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee may approve.

All notices regarding the Registered Notes 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 fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that relevant authority or stock exchange so require, such notice will be published in a daily newspaper of general circulation in the places or places required by that competent authority or stock exchange.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or admitted to trading by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

## 17. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer or the Trustee or (where the relevant Issuer is UUWF) the Guarantor and shall be convened by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor at the request of Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate or amount of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons

holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders, or as a resolution in writing signed by or on behalf of all the Noteholders, shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

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

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

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

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the relevant Issuer, the Guarantor (where the relevant Issuer is UUWF), the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except, in the case of the relevant Issuer and (where the relevant Issuer is UUWF) the Guarantor, to the extent provided for in Condition 10 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 10 pursuant to the Trust Deed.

Any such modification shall be binding on the Noteholders, Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification shall be notified to the Noteholders in accordance with Condition 16 as soon as practicable thereafter.

#### **18. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE RELEVANT ISSUER AND (WHERE THE RELEVANT ISSUER IS UUWF) THE GUARANTOR**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

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

## 19. FURTHER ISSUES

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

## 20. SUBSTITUTION

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

- (a) of any Subsidiary of UU in place of UU as principal debtor, subject to the irrevocable and unconditional guarantee of UU; or
- (b) of any Subsidiary of UUWF in place of UUWF as principal debtor, subject to the irrevocable and unconditional guarantee of UUWF; or
- (c) of the Guarantor or any other Subsidiary of the Guarantor in place of UUWF as principal debtor subject, in the case of any other Subsidiary of the Guarantor, to the irrevocable and unconditional guarantee of the Guarantor; or
- (d) of any holding company or Subsidiary of the Guarantor as guarantor under the Trust Deed and the Notes subject to such guarantor having the benefit of the Appointment held by the Guarantor.

Any such substitution shall also be subject to the relevant provisions of the Trust Deed.

## 21. GOVERNING LAW

The Trust Deed (including the Guarantee), the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection therewith are governed by, and construed in accordance with, English law.

## 22. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer or (where the relevant Issuer is UUWF) the Guarantor, for its general corporate purposes. If, in respect of any particular issue of Notes there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

### **Sustainability Bonds**

Where the applicable Final Terms for any Tranche of Notes indicate (including under ‘Reasons for the offer’ in Part B of such Final Terms) that such Notes are intended to be issued as Sustainability Bonds, the allocation of an amount equal to the net proceeds from such issue of Notes will be to Eligible Projects in accordance with the Sustainable Finance Framework (as further described in the section of this Offering Circular entitled “*Sustainable Finance Framework*”).

An amount equal to the net proceeds arising from the issuance of such Sustainability Bonds will be appropriately managed by the Group’s treasury function, and will be wholly allocated to finance, refinance or invest in Eligible Projects. Where any proceeds cannot be initially allocated to Eligible Projects, the funds will be held or deposited in accordance with the Group’s treasury policy until allocation to Eligible Projects.

More information regarding reporting in respect of the Sustainability Bonds can be found in the section of this Offering Circular entitled “*Sustainable Finance Framework*”.

## SUSTAINABLE FINANCE FRAMEWORK

*The below is intended as a summary of the Sustainable Finance Framework (as defined below) only. The Sustainable Finance Framework may be amended or updated from time to time. Investors should refer to the Sustainable Finance Framework in full, as published at <https://www.unitedutilities.com/corporate/investors/credit-investors/>.*

United Utilities' Sustainable Finance Framework has been developed to align with the Green Bond Principles (2018 edition), the Social Bond Principles (2020 edition) and the Sustainability Bond Guidelines (2018 edition), as published by the International Capital Markets Association, as well as Green Loan Principles published by the Loan Market Association (2020 edition) (the "Sustainable Finance Framework").

The Group intends to use the Sustainable Finance Framework to raise finance in a variety of forms, and will allocate an amount equal to the net proceeds of any Sustainability Bonds to finance new and/or refinance existing Eligible Projects. Eligible Projects will fall into one or several of the Eligible Sustainability Categories (as defined below).

Assets and expenditures falling within the Social Eligibility Categories (as defined below) are assets and expenditures which have a benefit for societies and communities and fall within eligible categories which include (but are not limited to) affordable basic infrastructure ("Social Eligibility Categories").

Assets and expenditures falling within the Green Eligibility Categories are assets and expenditures that have a benefit for the natural environment and fall within eligible categories, which include (but are not limited to): (i) sustainable water and wastewater management; (ii) renewable energy; (iii) energy efficiency; (iv) pollution prevention and control; (v) environmentally sustainable management of living natural resources and land use; (vi) terrestrial and aquatic biodiversity conservation; and (vii) clean transportation ("Green Eligibility Categories" and together with Social Eligibility Categories, the "Eligible Sustainability Categories").

### **Exclusions**

Allocations will be made to Eligible Sustainability Categories as specified above, and the following uses of proceeds shall be specifically excluded: (i) financing of any fossil-fuel, nuclear, or hydropower generation projects with a capacity of 25 MW or above, and involving a water impoundment dam; and (ii) financing of any activities involving tobacco, alcohol, gambling or defence.

### **Management of Proceeds**

The net proceeds arising from Sustainability Bonds will be managed by the United Utilities Treasury function and an amount equal to the proceeds arising will be wholly allocated to finance, refinance or invest in Eligible Projects. The United Utilities Treasury team will ensure on a best efforts basis that the portfolio of Eligible Projects exceeds, or at least is equal to, the amount of instruments raised under the Sustainable Finance Framework.

Pending allocation, proceeds will be invested on a temporary basis in accordance with the relevant internal policies, in cash, cash equivalents or similar instruments.

### **Reporting in respect of Sustainability Bonds**

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

Within one year of issuance, and annually thereafter until full allocation of any Sustainability Bonds net proceeds, United Utilities will make available a report, which will provide investors information regarding (i) the total amount of proceeds allocated to Eligible Projects, per category; (ii) the proportion of the proceeds allocated to refinancing of existing Eligible Projects; (iii) unallocated proceeds; and (iv) selected impacts of its Eligible Projects based on environmental and social performance data.

**External Review**

Sustainalytics have provided a Second Party Opinion on the United Utilities Sustainable Finance Framework, which is available at <https://www.unitedutilities.com/corporate/investors/credit-investors/> (the “Second Party Opinion”). The Second Party Opinion is also available at [www.sustainalytics.com](http://www.sustainalytics.com). For the avoidance of doubt, the Second Party Opinion and the Sustainable Finance Framework are not incorporated into, and do not form part of, this Offering Circular.

United Utilities also intends to commission an independent review by an external auditor within one year of issuance of any Sustainability Bonds, and annually thereafter until full allocation of any Sustainability Bonds proceeds, with the intention of confirming that the net proceeds have been allocated in accordance with the specifications of the Sustainable Finance Framework.

None of the Dealers shall be responsible for (i) any assessment of the Eligible Projects; (ii) any verification of whether the Eligible Projects falls within an investor's requirements or expectations of a “green” or “sustainable” or equivalently-labelled project; or (iii) the ongoing monitoring of the use of proceeds in respect of any such Notes.



## INFORMATION ON UNITED UTILITIES GROUP PLC

UUG is a public limited company registered in England and Wales with registered number 06559020.

### Description of business

UUG is the holding company of UU and ultimately owns UUW and UUWF. For the avoidance of doubt, UUG is neither an issuer nor a guarantor under the Programme.

Through UUW, the Group owns and manages the licensed water and wastewater network in the North West of England providing over seven million people and over 200,000 businesses with water and wastewater services. UUW is one of the largest listed water and wastewater companies in the UK as measured by RCV.

The ordinary shares of UUG are listed on the London Stock Exchange and are traded in the United States of America in the form of American Depositary Receipts, which trade on an over the counter basis under the symbol UUGRY. UUG has a market capitalisation of £5.9 billion (as at 31 October 2020).

### History of UUG

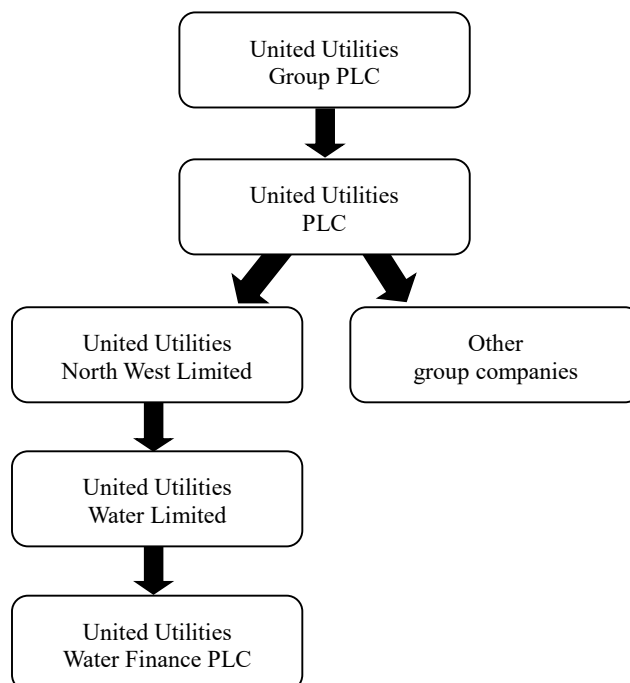
On 29 November 2007, the board of directors of UU announced its intention to return approximately £1.5 billion to shareholders. The return of capital comprised the net equity proceeds of approximately £1,050 million from the sale of United Utilities Electricity Limited and a further £450 million from the Group's pre-existing resources in order to create a more efficient capital structure.

UUG was incorporated and registered on 8 April 2008 under the Companies Act 1985 as a private limited company limited by shares, as United Utilities Newco Limited. On 28 April 2008, UUG was re-registered as a public company and its name was changed to United Utilities Group PLC.

The return of capital was implemented on 28 July 2008 by introducing UUG as the holding company of UU through a High Court approved scheme of arrangement under section 899 of the Companies Act 2006, the issue of ordinary shares and B shares and a subsequent reduction of capital of UUG under section 135 of the Companies Act 1985. Following the implementation of the scheme of arrangement, UUG owns no material assets other than the share capital of UU.

UUG is a holding company and has not traded since incorporation.

### Ownership structure



### **Capital structure, credit ratings and UUG dividend policy for the 2020-2025 regulatory period**

Following the acceptance of the PR19 FD by the board of UUG in January 2020, under which the revenues of UUG have been set for the price control period 2020-2025, (see the subsection entitled “*Price Review - PR19*” below), the UUG board announced:

- a Group dividend policy of growth in line with CPIH inflation for the AMP7 regulatory period;
- that it would continue to manage the capital structure of the Group within a Group net debt to RCV targeted gearing range of 55 per cent. to 65 per cent; and
- that it would target long-term issuer credit ratings for UUG of A3 with Moody’s and BBB+ with S&P, along with a senior unsecured debt rating for UUG of A- with Fitch, assuming no significant changes to rating agencies’ methodologies or sector risk assessments, with the same ratings applicable to debt issued by UUG’s financing subsidiary, UUGF.

Following the onset of the COVID-19 pandemic, in May 2020 (as part of the Group’s full-year results announcement for the financial year ending 31 March 2020), the UUG board announced that the economic implications of COVID-19 will provide a challenging backdrop to the AMP7 regulatory period, and that the Group would continue to prioritise the implementation of its delivery plans, albeit reviewing and adapting these plans as necessary, and fully intends to play its part in the recovery of the North West economy. However, the UUG board observed that it was too early to predict the full impact of COVID-19 on inflation, the economy more generally and on the Group’s business, and therefore the UUG board would review the Group’s dividend policy for AMP7 as a clearer picture of the post COVID-19 economic environment emerges. On 25 November 2020, the UUG board reaffirmed the Group dividend policy of growth in line with CPIH inflation for the AMP7 regulatory period, reflecting a clearer understanding of the impact of the COVID-19 pandemic on the Group’s business and a stabilised inflation outlook supported by central bank policy and government actions.

### **UUG and UU credit ratings**

As at the date of this Offering Circular, Moody’s long-term corporate credit ratings for UUG and UU are A3 and Baa1 respectively, and for Notes issued by UUG and UU are rated A3 and Baa1 respectively. S&P’s long-term corporate credit rating for UUG and UU are BBB+ and BBB respectively, and for Notes issued by UUG and UU, are rated BBB+ and BBB- respectively. Fitch’s long-term issuer default ratings for UUG and UU are BBB+ for both entities, and for Notes issued by UUG and UU are rated A- for both entities. UUGF does not have a corporate credit rating. However, Moody’s, S&P and Fitch have each confirmed that they expect Notes issued by UUGF to be rated in line with UUG, reflecting the benefit of the Guarantee.

Fitch and Moody’s are both established in the UK, and S&P is established in the EU. Fitch, Moody’s and S&P are each registered under the CRA Regulation.

## DESCRIPTION OF THE ISSUERS - UNITED UTILITIES PLC

### History of UU

UU is a public limited company registered in England and Wales with registered number 02366616. UU was incorporated on 1 April 1989 under the Companies Act 1985 as North West Water Group PLC.

UU was previously the listed holding company of the Group. However, on 28 July 2008, a new statutory holding company structure became effective by way of a share exchange between UU and UUG (see the subsection entitled “*History of UUG*” above). Following this, UUG is the listed holding company of the Group. UU is the intermediate holding company of the Group.

In order to focus on its core regulated water and wastewater activities, the Group sold United Utilities Electricity Limited in December 2007. United Utilities Electricity Limited owned the licensed electricity distribution network in the North West of England. The Group disposed of the bulk of its non-regulated activities over the period 2007-2010. Following completion of those disposals in November 2010, the Group’s activities now comprise a single segment for financial reporting purposes.

The Group also has a 50 per cent. holding in Water Plus and a 35.3 per cent. holding in AS Tallinna Vesi (Tallinn Water).

### Credit ratings

For details of UU’s credit ratings, see the subsection entitled “*Capital structure, credit ratings and UUG dividend policy for the 2020-2025 regulatory period*” and “*UUW and UU credit ratings*” under the heading “*Information on United Utilities Group PLC*” above.

### Board of directors

The directors of UU and their functions within the Group are as follows:

<b>Name</b>	<b>Function</b>
Steve Mogford	Chief Executive Officer
Philip Aspin	Chief Financial Officer
Brendan Murphy	Treasurer
Gary Baron	Group Financial Controller
Robert Lee	Head of Investor Relations

There is no existing or potential conflict of interest between the directors’ duties to UU and/or their private interests or other duties. The business address of each director is Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington WA5 3LP. This is the registered address of UU.

## DESCRIPTION OF THE ISSUERS – UNITED UTILITIES WATER FINANCE PLC

### History of UUWF

UUWF is a public limited company registered in England and Wales with registered number 09227416. UUWF was incorporated on 19 September 2014 under the Companies Act 2006.

UUWF is a wholly owned subsidiary of UUW. The ultimate parent company of UUWF is UUG.

UUWF was incorporated for the purpose of arranging finance for its immediate parent company, UUW. This is achieved by the issuing of Notes under the Programme and the on-lending of the issue proceeds to UUW. Any Notes issued by UUWF are unconditionally and irrevocably guaranteed by UUW.

### Credit ratings

For details of UUWF's credit ratings, see the subsection entitled "*Capital structure, credit ratings and UUG dividend policy for the 2020-2025 regulatory period*" and "*UUW and UU credit ratings*" under the heading "*Information on United Utilities Group PLC*" above.

### Board of directors

The directors of UUWF and their functions within the Group are as follows:

<b>Name</b>	<b>Function</b>
Philip Aspin	Chief Financial Officer
Simon Gardiner	Company Secretary
Brendan Murphy	Treasurer

There is no existing or potential conflict of interest between the directors' duties to UUWF and/or their private interests or other duties.

The business address of each director is Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington WA5 3LP. This is the registered address of UUWF.

## DESCRIPTION OF THE GUARANTOR – UNITED UTILITIES WATER LIMITED

### History of U UW

U UW is a private limited company registered in England and Wales with registered number 02366678. U UW was incorporated on 1 April 1989 under the Companies Act 1985 as North West Water Limited.

U UW is a wholly owned subsidiary of United Utilities North West Limited. United Utilities North West Limited is a wholly owned subsidiary of UU. The ultimate parent company of U UW is UUG.

### Business overview

U UW serves the North West of England, holding licences to provide water and wastewater services to a population of over seven million people and over 200,000 businesses. The area includes the major cities of Manchester and Liverpool but also extends as far north as the Cumbrian–Scottish border and south beyond Crewe.

### Credit ratings

For details of U UW’s credit ratings, see the subsection entitled “*Capital structure, credit ratings and UUG dividend policy for the 2020-2025 regulatory period*” and “*U UW and UU credit ratings*” under the heading “*Information on United Utilities Group PLC*” above.

### U UW AMP7 dividend policy

In accepting the PR19 FD in January 2020, the U UW board announced that U UW’s dividend policy for the 2020-2025 regulatory period is to distribute:

- a base dividend return of 4% (nominal) on the equity portion of the Shadow RCV;
- the profit after tax in relation to the non-appointed activities of U UW; and
- an amount no greater than demonstrable outperformance versus the FD.

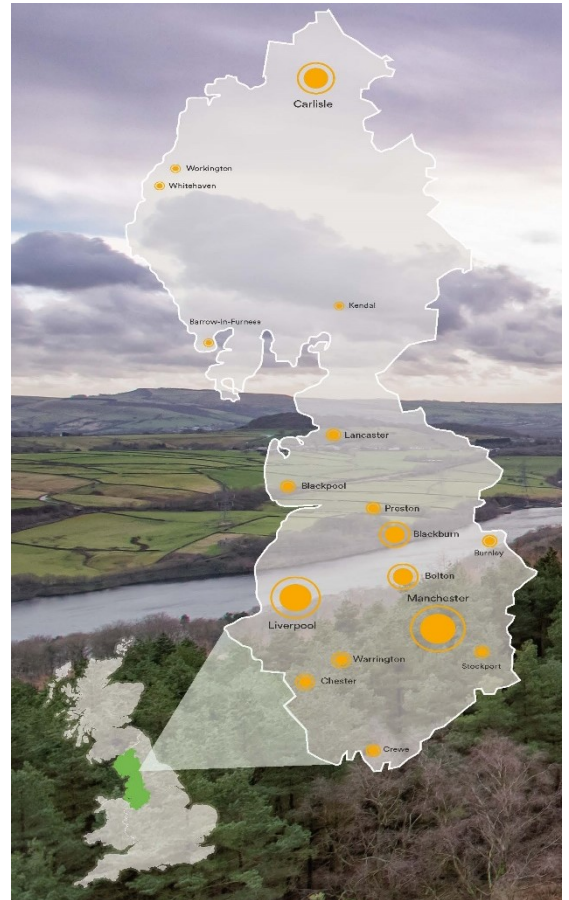
In addition, there will be a true-up of the previous year’s dividend, arising from differences between the forecast and actual components of the dividends paid.

Application of the policy will also be subject to the commitments made to U UW’s stakeholders as part of its PR19 business plan submission, taking into consideration:

- the challenges of the 2020-2025 FD;
- Ofwat’s assumed equity return of 4.19% (real) in CPIH terms;
- the importance of income to shareholders; and
- the need to retain a robust and sustainable capital structure.

### Industry and market

In England and Wales, most customers receive a water and wastewater service from one of the 11 licensed regional water and wastewater companies. A limited number of customers receive water or wastewater services from smaller companies providing services to consumers



in smaller service areas. Since privatisation, the water industry has invested a significant amount, contributing to improvements in public health and environmental standards, better quality of services, and superior quality drinking water. As each company in the water sector operates as a regional monopoly for the majority of its services, they are subject to regulation in terms of both price and performance.

### **Key facts**

UW's wholesale water team maintains covered reservoirs, water treatment works and thousands of kilometres of water pipes across the region in order to collect, treat, store and deliver billions of litres of reliable, clean drinking water to millions of customers 24 hours a day.

UW's wholesale wastewater team maintains hundreds of wastewater treatment works and thousands of kilometres of wastewater pipes in order to collect, treat and return water to begin the cycle again. Sludge by-product is turned into compost for farmers and gas is captured to generate renewable energy.

UW's household retail team deals with new connections, metering and billing for millions of household customers, and helps vulnerable customers with its priority services and other assistance schemes.

The work of UW includes:

- Managing more than 56,000 hectares of land, much of which is catchment land, helping to protect the quality of the water resources.
- Managing around 120,000km of water and wastewater pipes and sewers through which high-quality drinking water is delivered to customers and used water is taken away and returned safely to the environment across the region in which it operates.
- Operating around 566 wastewater treatment works, helping to ensure that the water returned to the environment meets all UK and EU requirements.
- Operating around 86 water treatment works, delivering around 1.8 billion litres of water to over three million households and 200,000 businesses 24 hours a day.
- Maintaining around 166 reservoirs, ensuring customers can enjoy a resilient water supply.
- Operating 37 renewable energy facilities to generate renewable energy to reduce its carbon footprint and energy costs.

As at 31 March 2020, UW's had an RCV of just over £11.5 billion. The RCV is the capital base used in setting price limits and has been built up from the total share value immediately after privatisation plus net capital expenditure since then. The RCV is significantly lower than replacement asset value (i.e. the estimated amount it would cost for another party to build similar assets and networks) reflecting the fact that, at privatisation, the value of the water companies with the assets in situ was viewed as being less than the cost of replacing their assets. UW is the second largest water and wastewater company based on the size of its asset base, as measured by RCV, and is a natural regional monopoly and as such the bulk of UW's activities are subject to price regulation.

UUW uses the natural environment and a combination of water and wastewater networks and treatment plants, underpinned by technology, to become part of the water cycle, interacting with it in a responsible way. This is illustrated in the following diagram:



Household customers pay around £1.15 per day on average for the combined water and wastewater services provided by UUW. Customers benefitted from below-inflation increases to average household bills for the decade to 2020 and these will fall further in real terms over the five years to 2025 (see subsection entitled “*Price Review - PR19*” below). UUW exited the non-household retail market in 2017 (see the section entitled “*Competition*” below).

UUW continues to invest heavily for the benefit of its customers and the environment, with a totex allowance of around £5.8 billion over the 2020-2025 period (see subsection entitled “*Price Review - PR19*” below for further detail). UUW expects to continue with a substantial investment programme for the foreseeable future to meet increasingly stringent environmental standards and to maintain and improve its assets and services.

## Future plans

### Purpose, Vision, and core values

UUW’s purpose is to provide great water and more for the North West and its vision is to be the best UK water and wastewater company. UUW aims to achieve this through its three core values:

- Customer focused: customers are at the heart of everything UUW does, and UUW aims to provide a great and resilient service at the most efficient cost;
- Innovative: UUW continually looks for new ways to make its services better, safer, faster and cheaper; and
- Trustworthy: UUW makes promises knowingly and keeps them, behaving responsibly towards all of its stakeholders.

Its purpose drives UUW to deliver services in an environmentally sustainable, economically beneficial and socially responsible manner, creating value for all stakeholders.

## Strategy

UUW's strategy is to create sustainable value by delivering the best service to customers in a responsible manner and at the lowest sustainable cost.

In order to maintain a reliable, high quality water service for customers far into the future, it is necessary to look a long way ahead and anticipate and plan for those changes and core issues which are likely to impact on the activities of UUW. Over the next 25 years, UUW anticipates that it will face many challenges and opportunities including:

- Climate change and its implications for water resources and flooding and how UUW delivers resilient services ;
- Decarbonisation, in line with the UK's stated ambition to transition to a low-carbon future;
- Population growth;
- The UK's exit from the EU;
- A more open, competitive UK water market (see the section entitled "*Competition*" below);
- More stringent environmental regulations (see the section entitled "*Environmental regulation*" below);
- Developments in technology; and
- Combining affordable bills with a modern, responsive water and wastewater service.

Anticipating these changes and balancing them with customers' priorities is integral to UUW's long-term strategic planning.

This long-term strategy influences UUW's medium-term planning (five years), which sets out how UUW will deliver the commitments agreed for each five-year regulatory period.

### Strategic delivery plan: 2020-2025

UUW's five year strategic plan retains focus on providing the best service to customers in a responsible manner and at the lowest sustainable cost. For the period 2020-2025, UUW's key deliverables are set out below:

- Deliver a better service and real bill reductions
- Help vulnerable customers
- Drive further environmental improvements
- Take opportunities represented by its ODI's
- Deliver on efficient totex proposals
- Share its success with customers

### ESG impact

Understanding which ESG matters are most relevant to UUW's stakeholders is essential to delivering its purpose and operating in a responsible manner.

**Environmental:** the environment is a key resource, important for the sustainability of UUW's business, and it must be protected and enhanced.

**Social:** UUW respects all its employees and focuses on three community issues most relevant to the region and its business: affordability and vulnerability; environment and recreation; and education and skills.

**Governance:** being open, honest and transparent about what UUW does and how it performs is key to building and maintaining trust and legitimacy with all its stakeholders.



### Key Performance Indicators (“KPIs”)

To help measure U UW’s progress on how well it is delivering its purpose and creating value for all its stakeholders, U UW monitors and measures its performance against a range of operational and financial KPIs, as well as other performance indicators for each stakeholder group.

U UW’s KPIs are set for the five-year planning period and encompass the important areas of customer service and environmental performance, as well as financial indicators, taking into consideration the interests of all of its stakeholders. Strong performance across these KPIs would indicate that U UW’s strategy is delivering on targeted outcomes, helping it on its path to reaching long-term strategic goals.

U UW’s financial KPIs assess both the profitability and sustainability of its business from a financial perspective. For the 2020-2025 period, U UW’s financial KPIs will be largely the same as the 2015–20 period (being underlying operating profit, underlying earnings per share, dividend per share, gearing: net debt to RCV and total shareholder return), with the addition of having low-dependency defined benefit pension schemes with nil deficit. This recognises the increasing importance of this strong and secure position, which represents a significant driver of relative value.

U UW’s operational KPIs select one main metric for each stakeholder group, based on the top material issues identified through U UW’s stakeholder engagement as detailed in the table below. U UW will continue to report against many other performance metrics that matter to stakeholders.

Stakeholder	KPI
Communities	U UW is targeting increasing community investment by at least 10% over 2020-2025 compared to the average between 2010 and 2020.
Customers	U UW will report its ranking on Ofwat’s C-MeX, targeting an upper quartile performance within the industry each year.
Employees	U UW will report employee satisfaction, with a target to be at least as good as the UK high performance norm.
Environment	U UW will target upper quartile performance within the industry each year based on the Environment Agency’s Environmental Performance Assessment.
Investors	U UW will report Return on Regulated Equity (“RoRE”) to account for regulatory out/under-performance from financial and operational efficiency, customer satisfaction and regulatory performance targets. Targets will be updated throughout the period in line with guidance on the components of RoRE.
Suppliers	U UW will report the percentage of invoices paid within 60 days, targeting at least 95% in line with the requirements of the Prompt Payment Code.

### Regulators

The water and wastewater industry in the UK is subject to substantial domestic and EU regulation. This regulation places significant statutory obligations on water and wastewater companies with regard to, among other factors, the price of services provided, the quality of drinking water supplied, wastewater treatment and the effects of the companies’ activities on the natural environment.

The regulators in the water and wastewater industry are as follows:

- **Ofwat** (the Water Services Regulation Authority) is the economic regulator of the water and sewerage sectors in England and Wales, responsible for ensuring that companies provide customers with a good quality, efficient service at a fair price.
- **The EA** controls how much water can be drawn from the environment and the quality of water returned to rivers and the sea.
- **The Drinking Water Inspectorate** is responsible for ensuring compliance with the drinking water quality regulations.
- **The CCW** represents customers' interests relating to price, service and value for money. It also investigates customer complaints. Customers who remain dissatisfied can refer their complaint to be adjudicated by an independent service, the WATRS (defined below).
- **The Water Redress Scheme** (the "WATRS") is an independent service designed to adjudicate disputes that have not been resolved through the water company's customer services teams or by referring the matter to the CCW.
- **Natural England** is responsible for the protection of designated sites for nature conservation such as Sites of Specific Scientific Interest. Companies are required to manage these sites and to protect and enhance biodiversity.
- **Defra** is the UK Government department responsible for water policy and regulations in England and Wales. It also sets drinking water quality and environmental standards which water companies must meet – these standards are primarily based on EU law.

### Environmental regulation

Defra is also the UK government department responsible for safeguarding the natural environment, supporting the food and farming industry, and sustaining a thriving rural economy. Defra's broad remit means that they play a major role in people's day-to-day life, from the food we eat, and the air we breathe, to the water we drink.

The EA is a non-departmental public body that is part of the Defra family of organisations. The main purpose of the department is to work to create better places for people and wildlife, and support sustainable development.

The EA was established in 1996 to protect and improve the environment.

Within England, the EA is responsible for:

- regulating major industry and waste;
- treatment of contaminated land;
- water quality and resources;
- fisheries;
- inland river, estuary and harbour navigations; and
- conservation and ecology.

The EA is also responsible for managing the risk of flooding from main rivers, reservoirs, estuaries and the sea.

Sometimes UUW's business activity does operate across the Welsh border. When this occurs the environmental regulatory body is Natural Resources Wales. Natural Resources Wales is the largest Welsh government sponsored body and was formed in April 2013, largely taking over the functions of the Countryside Council for Wales, Forestry Commission Wales and the EA in Wales, as well as certain Welsh Government functions.

EU environmental legislation as transcribed into UK law has several directives, such as the Bathing Water Directive (2006/7/EC) and the Water Framework Directive (2000/60/EC), which establish environmental standards which need to be met. UUW and other UK water companies have a part to play in meeting these objectives, however, UUW is not the sole agent in terms of compliance, and as such works in partnership with other agencies and organisations such as the EA, Natural England, local authorities, land owners and environmental NGO's to deliver coordinated action to move towards meeting these objectives.

The Habitats Directive (92/43/EC) requires EU member states to maintain biodiversity by protecting natural habitats and certain wild species. For example, one of the key drivers for UUW's West Cumbria supply project is to help protect England's largest population of fresh water mussels.

These Directives are incorporated into UK law so are expected to continue to apply after Brexit, unless there is subsequent legislative change.

## **Economic regulation**

### **Ofwat**

Ofwat is the economic regulator for the water and sewerage sectors in England and Wales. Ofwat is controlled by a board which consists of the chairman, the chief executive, and a number of other directors, the majority of whom are non-executive directors. Appointments to the Ofwat board are made by the Secretary of State for Environment, Food and Rural Affairs in consultation with the Welsh Assembly Government.

Ofwat must comply with its statutory duties as laid out in the Water Industry Act 1991 (as amended by the Water Act 2003) and the Water Act 2014. The Water Act 2014 created a power for the UK Government to produce a statement of strategic priorities and objectives for Ofwat to follow when carrying out its statutory functions. Ofwat operates within the UK Government's overall policy framework. However, Ofwat acts independently of the UK Government and is not subject to direction with regard to its judgements.

Ofwat's principal functions are to:

- Further the consumer objective to protect the interests of consumers, wherever appropriate, by promoting effective competition;
- Secure that water companies (meaning water and sewerage undertakers) properly carry out their statutory functions;
- Secure that water companies can (in particular through securing reasonable returns on their capital) finance the proper carrying out of their statutory functions;
- Secure that water supply licensees and sewerage licensees properly carry out their licensed activities and statutory functions; and
- Further the resilience objective to secure the long-term resilience of water companies' water supply and wastewater systems; and to secure that they take steps to enable them, in the long term, to meet the need for water supplies and wastewater services.

Ofwat must exercise its powers and duties in the manner that it considers is best calculated to fulfil its main duties, being to:

- Promote economy and efficiency by water companies in their work;
- Secure that no undue preference or discrimination is shown by water companies in fixing charges;
- Secure that no undue preference or discrimination is shown by water companies in relation to the provision of services by themselves or by water supply licensees or sewerage licensees;
- Secure that consumers' interests are protected where water companies sell land;
- Ensure that consumers' interests are protected in relation to any unregulated activities of water companies; and
- Contribute to the achievement of sustainable development.

In addition to the Water Industry Act 1991 (as amended by the Water Act 2003) and the Water Act 2014, Ofwat also exercises powers under competition legislation, most significantly the Competition Act 1998, the Enterprise Act 2002 and under Articles 101 and 102 of the Treaty on the Functioning of the EU.

### **Licences**

Water companies that operate public water networks hold appointments as water undertakers. Water companies that operate public wastewater networks hold appointments as sewerage undertakers. The conditions of the appointment are set in each company's licence, which sets out:

- The area in which the licensee company provides services;
- Obligations on charge setting;

- The process for reviewing charges, information provision, financial viability, dealings with associated companies, and competition; and
- The process for setting prices at price reviews and revising prices in the periods between price reviews.

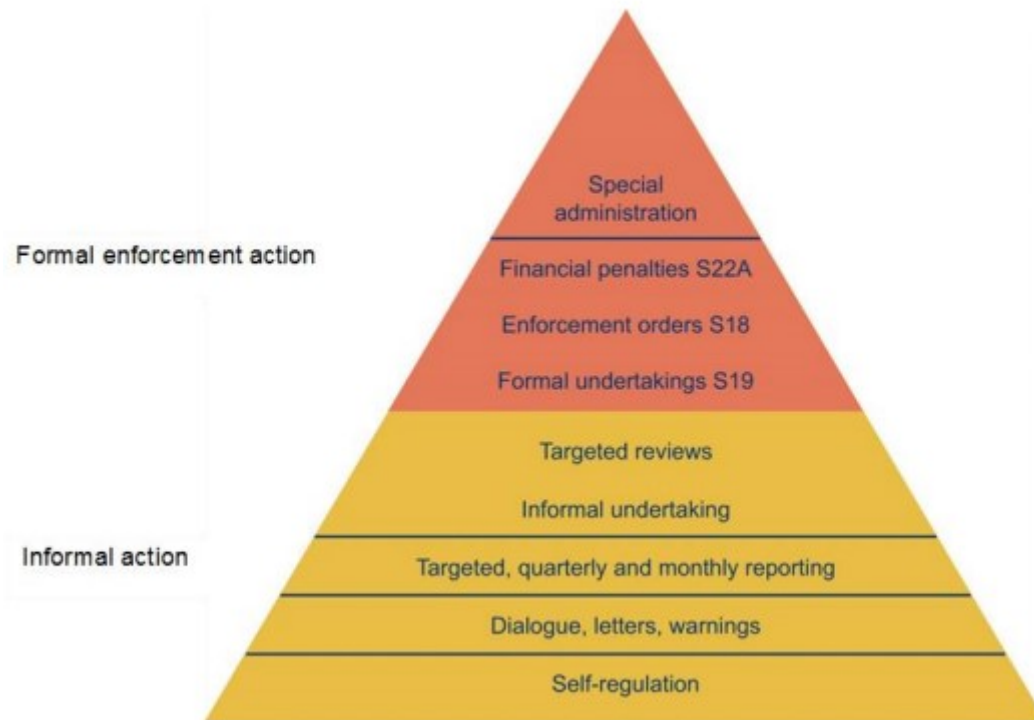
UUW's licence conditions include:

- Provisions relating to the operation of price controls;
- A prohibition on undue discrimination or undue preference in setting charges for water supply or sewerage services;
- Financial ring-fencing and cash lock up provisions to protect UUW, the regulated company, from the activities of other entities such as other group companies, ensuring that it maintains sufficient financial and management resources to enable it to carry out its obligations in a sustainable manner and obliges it to maintain investment grade credit ratings;
- Provisions prohibiting, subject to certain limited exceptions (including payments to a financing subsidiary), without the regulator's prior consent, the transfer of cash or other assets to an associated company in certain circumstances where UUW's investment grade credit rating is threatened;
- Restrictions on dealings with associated companies: the consent of Ofwat is required for certain transactions including transferring certain rights or assets, guaranteeing any liability or lending any funds to an associated company and all transactions with associated companies must be on an arm's length basis without cross-subsidy;
- Provisions to ensure that the financial affairs of the regulated business can be separately assessed and reported on;
- Restrictions on the disposal of land;
- Provisions on the payment of fees and the supply of information to Ofwat;
- Provisions requiring UUW's board to comply with leadership, transparency and governance principles established by Ofwat;
- A provision allowing a licence to be terminated where the Secretary of State has given UUW at least 25 years' notice; and
- Provisions relating to water supply licensing competition including provisions requiring compliance with an access code and the Customer Transfer Protocol.

Licence conditions can be modified by Ofwat, either with the licensee company's agreement or following reference to the CMA for a decision on public interest grounds. Licence modifications can also result, in certain circumstances, from a merger or market investigation reference to the CMA. The Water Act 2014 also allows Ofwat to modify licences where necessary in consequence of changes made by the Water Act 2014. In July 2019, Defra published its intention to revise the licence modification process such that Ofwat would be able to amend licences without obtaining UUW's consent but subject to consultation with UUW before making a change and an appeal mechanism via the CMA if UUW objects to the change.

## Enforcement and special administration

If a licensee company does not comply with its obligations, Ofwat can take appropriate action. As Ofwat's hierarchy of action below shows, Ofwat has a range of possible measures. Formal enforcement action is likely only to be required to deal with more serious and/or persistent breaches. For example, in previous industry cases where information has been deliberately misreported to Ofwat, Ofwat has taken formal enforcement action by imposing a financial penalty.



*References to sections in the diagram above are to sections of the Water Industry Act 1991*

As an example of the operation of the hierarchy of action, Ofwat will not be required to make an enforcement order if it is satisfied that the relevant licensee company has given a formal undertaking to take all appropriate steps for the purpose of securing compliance with the condition or requirement in question and is complying with that undertaking. The requirement to comply with a formal undertaking is a statutory requirement enforceable by Ofwat in circumstances of breach.

A licensee company may face a penalty of up to 10 per cent. of its relevant regulated turnover for breaching licence conditions, prescribed standards of performance or other statutory obligations. The Water Act 2014 extends the time limit for imposing financial penalties from 12 months to five years from the date of contravention. Ofwat has published a statement of the policy that it intends to apply to the imposition of any penalty and the determination of its amount. Under the Water Act 2003, such penalties can be appealed to the High Court on the grounds Ofwat lacks power to impose the specific penalty, that Ofwat has failed to follow the procedure for imposing such penalties or that the dates required for payment of such penalties are unreasonable.

Failure to comply with an enforcement order can lead to court action seeking an injunction by Ofwat and to claims for compensation by any person who suffers loss or damage because of the failure to comply. Alternatively, where actual or likely contravention of an enforcement order (or of one of a licensee company's principal statutory duties) is so serious as to make it inappropriate for the licensee company to continue to hold its licence, the Secretary of State may apply to the High Court for the appointment of a special administrator to run the licensee company. Ofwat may also apply to the High Court for the appointment of a special administrator with the consent of the Secretary of State. A special administrator may also be appointed in other circumstances such as where the licensee company is, or is likely to be, unable to pay its debts.

A special administrator has powers similar to those of an administrator under the Insolvency Act 1986, but with certain important differences. A special administrator is appointed only for the purposes of transferring to one or more different companies, as a going

concern, so much of the business of the licensee company as it is necessary to transfer in order to ensure the proper carrying out of the water supply or sewerage functions.

Where, on any application for the winding up of a licensee company, the court considers that it would be inappropriate to grant a winding up order, the court is obliged instead to make a special administration order. A licensee company cannot be wound up voluntarily, or have an administration order made in relation to it, unless fourteen days' notice is given to the Secretary of State or Ofwat. Notice must also be given before any step is taken by any person to enforce security over a licensee company's property.

### **Price Review overview**

Ofwat undertakes periodic reviews of the price, investment and service package proposed by companies. These are generally referred to as "price reviews" and result in a series of "price controls" although since 2015, companies have operated under mechanisms that are based on revenue controls rather than direct regulation of prices. In determining the outcome of price controls, Ofwat takes decisions and balances the interests of stakeholders as it considers will best deliver its duties as set out in the relevant legislation.

Since privatisation of the water industry in 1989, Ofwat has typically undertaken a price review every five years, setting the price, investment and service package for the following the Asset Management Period ("AMP"). The most recent of these price reviews concluded in 2019 (and is referred to as "PR19"), which determined the price controls for AMP7, covering the period April 2020 to March 2025. Price reviews are lengthy processes, typically lasting around three years from establishment of the assessment methodology to delivery of the FD.

As part of the price review, companies demonstrate that they engage with a broad range of stakeholders (including customers and other regulators) to understand their needs and preferences and that this information has been used to develop an appropriate business plan for the forthcoming AMP covering a package of proposals including price, service standards and investment. This business plan is submitted to Ofwat for assessment. Ofwat then benchmarks and challenges areas of the business plan and will intervene where it considers the company should propose a more ambitious plan. These interventions can include, but are not limited to, additional challenges on performance standards, cost efficiency, targeting of investment and customer protection. Having concluded its review, Ofwat then makes its FD for the price control(s). Companies have the right to appeal Ofwat's FD and seek a referral to the CMA, if they believe that the price control is not appropriate. Under the referral, the CMA must make a fresh determination as a whole; companies cannot restrict the appeal to discrete elements of the FD. In line with statutory deadlines, the appeal process lasts for an initial 6-month period, although the CMA can seek a 6 month extension if it is required.

Price Controls usually incorporate a number of identified adjustment mechanisms. These mechanisms are designed to either incentivise companies to try to outperform their price control, either through cost reductions or through service improvements, or to protect customers and companies from future changes to the operating environment in some limited circumstances. The current adjustment mechanisms that are expected to apply in AMP7 are explained within the subsection entitled "*Reconciliation mechanisms*".

### **Interim determinations and "Shipwreck Clause"**

In most cases variance from expected costs or outcomes is viewed by Ofwat either as part of normal business risk and reward, or as being sufficiently small in impact that prices would not need to be adjusted until the next price review. However, if the impact of a variance is sufficiently large, and the cause of the variance is one of a number of predefined factors then an application for a change in price limits can be made outside the normal price review process, through an interim determination of price limits (an "IDoK"). Both the company and Ofwat are capable of raising the need for an IDoK, meaning it can result in positive or negative adjustments to allowed revenues<sup>4</sup>.

There are two types of IDoK:

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<sup>4</sup> Ofwat and companies now also have the ability to seek corrections for 'clear and obvious errors' contained within the FDs through the in-period adjustment process in AMP7.

- The “*conventional*” IDoK mechanism is triggered if the sum of all allowed variances passes a “materiality test” by being greater in Net Present Value (“NPV”) terms than 10 per cent. of prior year turnover (≈£170 million). Each individual item must exceed a “triviality” threshold with a NPV greater than 2 per cent. of impacted services turnover (>£15 million). Ofwat will make an adjustment to prices if its net assessment of all relevant items is that they exceed the 10 per cent materiality threshold.
- A “*substantial effects*” IDoK, sometimes called the “*Shipwreck Clause*”, can be triggered by any single event resulting in a NPV impact greater than 20 per cent. of turnover (≈£350 million). Any event that is outside management control can trigger the “Shipwreck Clause”. This then triggers a review by Ofwat, but meeting the 20 per cent of turnover threshold itself does not guarantee that Ofwat will allow an adjustment to prices.

The factors that can be used to trigger a conventional IDoK are limited to three “Relevant Changes of Circumstance” (as discussed below) and a “Notified Item” (which are set at price reviews). The three current Relevant Changes of Circumstance are:

- New, changed or removed legal requirements specific to the water industry;
- Proceeds from the sale of land; and
- Failure to deliver agreed outputs.

For a conventional IDoK, Ofwat will take account of all eligible items and a company cannot restrict the claim to a partial list. Individual items are also subject to a “triviality” test, each needing to be greater than 1% of turnover to be eligible. In determining whether IDoK thresholds have been met, the net of these items is taken into consideration.

Substantial effects IDoKs are also expected to be subject to additional stringent tests of liquidity (i.e. whether the company has sufficient liquid resources to manage the issue until the next price control). Although it goes beyond the minimum requirement set out in the licence, this principle was established during the 2009 claim by Sutton & East Surrey, and was upheld by the CMA upon appeal.

In 2020, Ofwat indicated that it intends to implement a new and additional classification of IDoK which would deal with circumstances where a project which was being pursued under the new DPC was no longer a designated DPC project and was being brought into the scope of a price control.

## **Price Review - PR19**

### Background

Ofwat made its FD in the most recent price review in December 2019. This price review determined the allowed revenues and performance standards for the AMP7 five-year regulatory period.

Since the 2014 price review (“PR14”), which set controls for the 2015-2020 period, Ofwat has focussed on setting price controls based on totex and setting financial and other incentives for companies to deliver high performance standards to customers and the environment. This marked an evolution of the price control process from the historic approach that focussed on setting separate allowances for capital expenditure and operating expenditure and requiring the delivery of specific physical and intermediate outputs.

Building on the development of separate controls for water, wastewater and retail in PR14, PR19 saw the further disaggregation of the wholesale price controls, this time separating out Bioresources and water resources from the water and wastewater price controls (the remainder of the operations being referred to as the ‘network plus’ controls). The result is that UUW is now subject to five price controls, four of which relate to “wholesale” activities and one of which relates to retailing to Residential Retail activities:

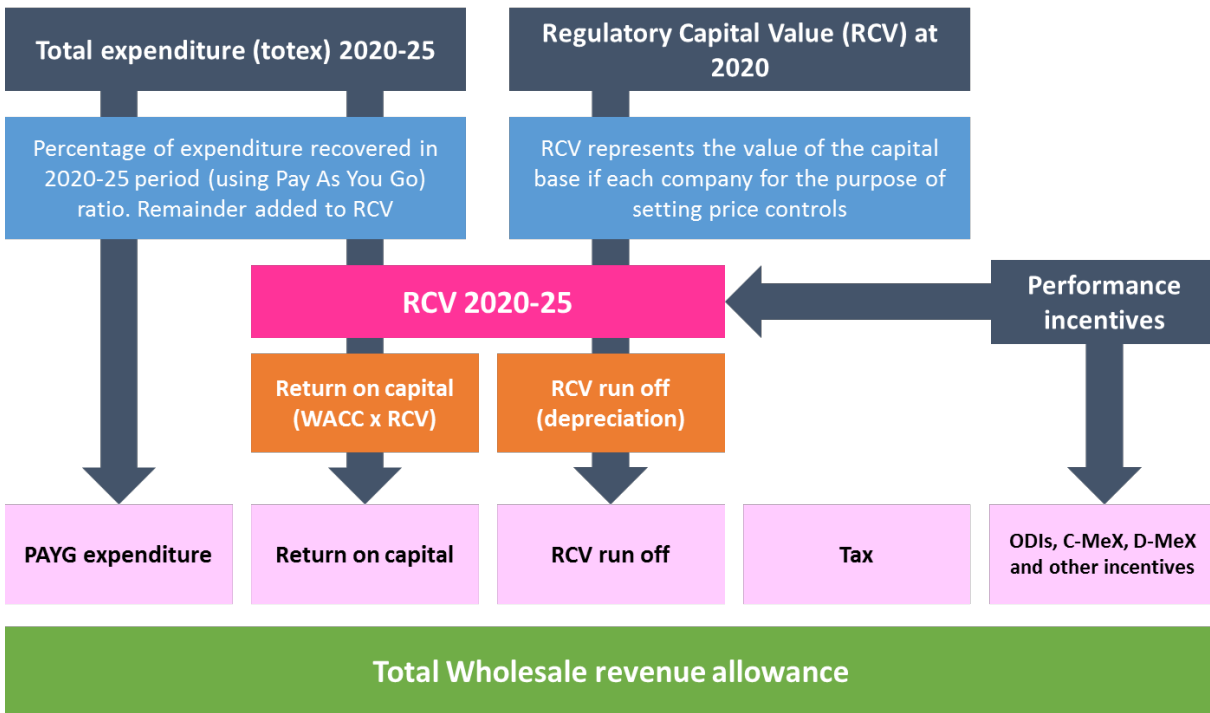
- Water resources: including abstraction licences and raw water abstraction.
- Water network plus: all appointed water undertaker activities that are not designated as water resources or retail.
- Bioresources: including sludge transport, sludge treatment and sludge disposal.
- Wastewater network plus: all appointed sewerage undertaker activities that are not designated as Bioresources or retail.
- Residential Retail: covering activities and costs associated with providing services to household customers, including customer services, debt management and doubtful debts, meter reading, developer services, etc.

UW does not supply Business Retail services and so is not subject to Ofwat’s Business Retail control.

There are a number of wholesale activities that are not covered by wholesale price controls, termed ‘Excluded Charges’, (for example charges for a supply of water in bulk to another water undertaker).

Total allowed revenues within the four wholesale price controls are derived using the ‘building block’ approach as shown in Figure 1 below.

**Figure 1 The building blocks of the wholesale revenue controls<sup>5</sup>**



The building block approach involves calculating the required revenues to pay for expenditure (totex) that is recovered directly from customers as well as the revenues required for investments that have been added to the RCV. For expenditure that is not recovered through in period revenues i.e. totex that is not pay as you go (“PAYG”), and for historic investments added to the RCV, Ofwat allows companies to recover the efficient cost of financing through the weighted average cost of capital (“WACC”) that is set uniformly for the industry.

The basis of the indexation of prices and the RCV has changed from RPI to CPIH but there are transitional arrangements for the 2020-2025 regulatory period to enable company financing to adjust to the new measure of inflation and help companies to manage the impact on bills. From 2020, revenues will be indexed to CPIH and half of the opening RCV will be linked to RPI and half to CPIH, with any new additions to the RCV being added to the CPIH-linked portion (subject to change where companies proposed a different speed of transition).

Ofwat has moved to having more (financial) incentives linked to revenues (rather than adjustments to the RCV) and adjustments made during the period rather than as part of the subsequent price review. This ensures that revenues can change from the determination allowance and more quickly reflect the performance of the company, rather than waiting until the next price review or taking several years to unwind through the RCV. More details on these in-period adjustments is within the subsection entitled “*Reconciliation mechanisms*”.

<sup>5</sup> ODIs in AMP7 are all made as revenue adjustments, however due to the timing of the PR19 FD (before the end of AMP6) there are still some AMP6 ODI adjustments, which apply to the RCV that will be implemented as part PR24. Additionally, other reconciliation mechanisms e.g. cost sharing, can result in adjustments to the RCV for future periods.



Allowed revenue within the Retail Household price control is set based on an efficient totex allowance (sometimes depicted as a “cost to serve”) plus an allowed margin. Additionally, Ofwat also allows each company to recover from customers the appropriate tax payments that it makes to the HM Revenue & Customs each year. This is calculated at the company level but then disaggregated into each price control for the purpose of calculating allowed revenues for each individual price control.

The water resources, water network plus and wastewater network plus price controls are total revenue controls. This means that the revenues that companies are allowed to recover from customers are fixed during the AMP, irrespective of changes in the number of customers served or the amount of water provided. Bioresources and Retail Household however are average revenue controls, reflecting the exogenous volumetric risk that may occur within these operations. The total revenue controls and the Bioresources price control are set in a real price base and adjusted for inflation (CPIH) when charging customers each year, but the Retail Household price control is set in nominal prices and not adjusted for actual inflation.

#### PR19 IAP and U UW fast track status

At the beginning of PR19, Ofwat set out the framework for company business plans so that companies could “innovate to push forward the performance of the whole sector and stretch the current boundaries for delivery and efficiency”. Ofwat’s PR19 framework particularly encouraged companies to prepare business plans that delivered across four key themes:

- Great customer service;
- Affordable bills;
- Resilience in the round; and
- Innovation.

Ofwat encouraged more dialogue with customers, more innovation, and greater understanding of what customers want. There were also specific requirements for evidence and performance commitments in relation to affordability and vulnerability as well as move towards more common measures of performance and ODI.

The Initial Assessment of Plans (“IAP”) was the first stage of review by Ofwat for each company’s proposed business plan. At this stage, Ofwat scored companies on the quality of their plans against the key tests set out within its methodology. Plans were classified as being in one of four categories; exceptional, fast track, slow track and significant scrutiny. Plans that were deemed to be exceptional or fast track benefitted from a financial reward (of between a 10 and 35bps addition to the RoRE) and a quicker draft determination, with only relatively ‘light touch’ interventions required from Ofwat. Plans classified as ‘slow track’ or ‘significant scrutiny’ faced more significant regulatory interventions as well as less favourable cost sharing incentive rates and ODIs.

U UW received the highest score of any company in Ofwat’s PR19 IAP assessment and was one of only three companies to obtain ‘fast track’ status (no company plan was deemed exceptional). This resulted in a financial reward of £24million<sup>6</sup> over AMP7 as well as providing early certainty on the outcome of the price review, enabling it to make an early start on delivering the requirements for AMP7 during the asset management period from 2015 to 2020 (“AMP6”). Another significant benefit of being ‘fast track’ is that in AMP7 U UW is subject to 50/50 cost sharing with customers on variances opposite the allowed expenditure within the wastewater network plus and water price controls. Companies that were deemed slow track or significant scrutiny have less favourable rates, with the companies being exposed to up to 75% of any overspend.

#### FDs and AMP7

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<sup>6</sup> 2017/18 prices, applied as additional allowed revenue to the water network plus price control.

Companies received their FDs in December 2019 and could either accept the terms offered or ask Ofwat to commence a referral to the CMA for a redetermination. UUW accepted its FD in January 2020. Key features of the FD included the following (all values stated are in real 2017/18 CPIH financial year average rather than nominal prices unless otherwise stated);

- Before any adjustments for in-period performance or inflation, average bills are anticipated to fall by 13.8% by 2024-25 (compared with 2019-20), with allowed appointed revenues of £8,248 million:
  - This includes the recovery of £29 million additional revenue to contribute towards a new £200 million industry innovation fund.
- Total wholesale expenditure of £5,323 million including:
  - £663 million to improve the environment by efficiently delivering its obligations as set out in the Water Industry National Environmental Programme.
  - £78 million to improve resilience.
  - A further £44m strategic water resource development to support the delivery of long-term drought resilience.
  - £57 million to undertake the enabling works required for its DPC scheme.
- Total Residential Retail expenditure of £475 million (nominal prices).
- Service performance targets for the common performance commitments within the FD including:
  - At least 15% leakage reduction from PR14 performance commitment levels<sup>7</sup>.
  - 6.3% reduction in per capita consumption by 2024-25.
  - 20% reduction in pollution incidents by 2024-25 to 19.5 pollution incidents per 10,000 connections.
  - 73% reduction in internal sewer flooding incidents by 2024-25 to 1.34 incidents per 10,000km of sewers.
  - 58% reduction in water supply interruptions by 2024-25 to 5 minutes.
- Bespoke performance commitments for UUW, where targets were set of:
  - 34% reduction in customer contacts about drinking water quality by 2024-25.
  - 28% reduction in customers receiving low pressure by 2024-25.
  - 11% reduction in sewer blockages by 2024-25.
  - 22% reduction in external sewer flooding incidents by 2024-25.
  - 20% increase in the number of customers lifted out of water poverty (defined as residential customers spending more than 3 per cent. of their annual household income, after housing costs, on water and wastewater services) through its financial assistance programmes by 2024-25.
  - 75% customer satisfaction for value for money by 2024-25.
- A commitment to provide financial assistance to 152,000 customers by 2024-25 to alleviate affordability issues. To help it meet this goal, UUW will increase its social tariff cross-subsidy to £1.60 per customer and it will spend £71 million of company funding on schemes to help customers who need financial support.

More details on the PR19 FD is included in the following sections.

#### Revenues and average bills

Ofwat determines allowed revenues in real (2017/18) prices and then allows companies to additionally recover inflation (CPIH) when it sets its customer charges each year. Table 1 below shows a breakdown of the total £8,248 million allowed appointed revenue by price control.

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<sup>7</sup> Please note that the figures in the tables of the 'United Utilities - Outcomes performance commitment appendix' which relate to this performance commitment reflect that it is measured on a three-year average and show a 10.8% reduction from 2019-20 baseline levels on a three-year average basis.

**Table 1 2020-2025 total final allowed revenues (2017/18 CPIH FYA)**

AMP7 total (£m)	Water resources	Water network plus	Wastewater network plus	Bioresources	Residential retail	Total
	<i>Total revenue controls</i>			<i>Average revenue controls</i>		
Final allowed revenues	521.8	2,975.6	3,784.1	472.4	493.9	8,247.8

The Bioresources and Residential Retail price controls are average revenue controls. This means that the total revenues reflected in the FD assume a set level of volume (tonne of dry solid or number of customers). Actual allowed revenues may then change to reflect outturn volumes and any variances to the original assumptions. Revenues for water resources and the network plus controls are a fixed total revenue allowance and so allowed revenues should not differ other than due to in-period reconciliation adjustments (see the subsection entitled “*Reconciliation mechanisms*”).

The individual ‘building block’ components for the wholesale price control revenues, are summarised within Table 2.

**Table 2 Calculation of allowed wholesale revenues 2020-2025 (2017/18 CPIH FYA)**

AMP7 total (£m)	Wholesale total
PAYG	3,174.3
RCV run-off	2,881.0
Allowed return on capital	1,354.8
Revenue adjustments for PR14 reconciliations	26.7
Fast track reward	23.9
Tax	212.4
Grants and contributions after adjustment for income offset (price control)	70.6
Deduct non-price control income	-11.8
Innovation competition	29.4
Revenue re-profiling	-7.4
<b>Final allowed revenues</b>	<b>7,753.9</b>

#### Performance measures and ODIs

Ofwat required that AMP7 performance commitments should be more stretching than before. There are greater incentives for companies to go beyond their service commitments to customers, and larger penalties for those who do not achieve their commitments; Ofwat expects an average company with average performance would incur penalties on its ODI package, rather than rewards. Ofwat is revising its mechanism for incentivising C-MeX, and introducing a new incentive for service to developers (“D-MeX”). Performance commitments are either common measures that are consistent between all companies in the industry or bespoke measures that apply only to the company in question. In total, UuW has 15 common performance commitments, 12 of which are financial, and 31 bespoke performance commitments, 27 of which are financial.

**Table 3 Summary of performance commitments: common performance commitments**

Name of common performance commitment	Type of outcome delivery incentive			
	Financial			Reputational
	Under	Out	In-period	
Water quality compliance (CRI)	x		x	
Water supply interruptions	x	x	x	
Leakage	x	x	x	
Per capita consumption	x	x	x	
Mains repairs	x	x	x	
Unplanned outage	x		x	
Risk of severe restrictions in a drought				x
Priority services for customers in vulnerable circumstances				x
Internal sewer flooding	x	x	x	
Pollution incidents	x	x	x	
Risk of sewer flooding in a storm				x
Sewer collapses	x		x	
Treatment works compliance	x		x	
C-Mex: Customer measure of experience	x	x	x	
D-Mex: Developer services measure of experience	x	x	x	

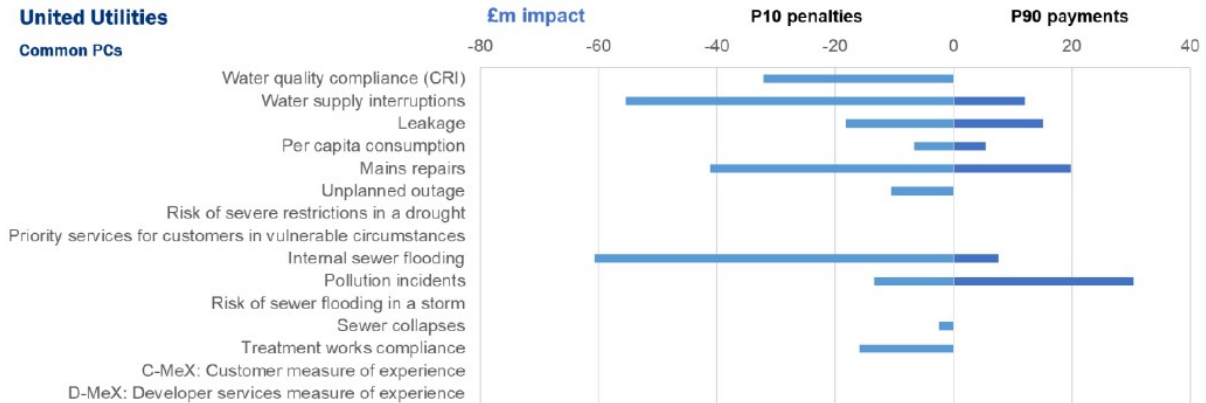
**Table 4 Summary of performance commitments: bespoke performance commitments**

Name of bespoke performance commitment	Type of outcome delivery incentive				
	Financial				Reputational
	Under	Out	In-period	End of period	
Reducing water quality contacts due to taste, smell and appearance	x	x	x		
Number of properties with lead risk reduced	x	x	x		
Helping customers look after water in their home	x	x	x		
Reducing discolouration from the Vyrnwy treated water aqueduct		x	x		
Reducing areas of low water pressure	x	x	x		
Water service resilience	x	x	x		
Manchester and Pennine resilience	x			x	
Keeping reservoirs resilient	x	x		x	
Thirlmere transfer into West Cumbria (AMP7)	x	x	x		

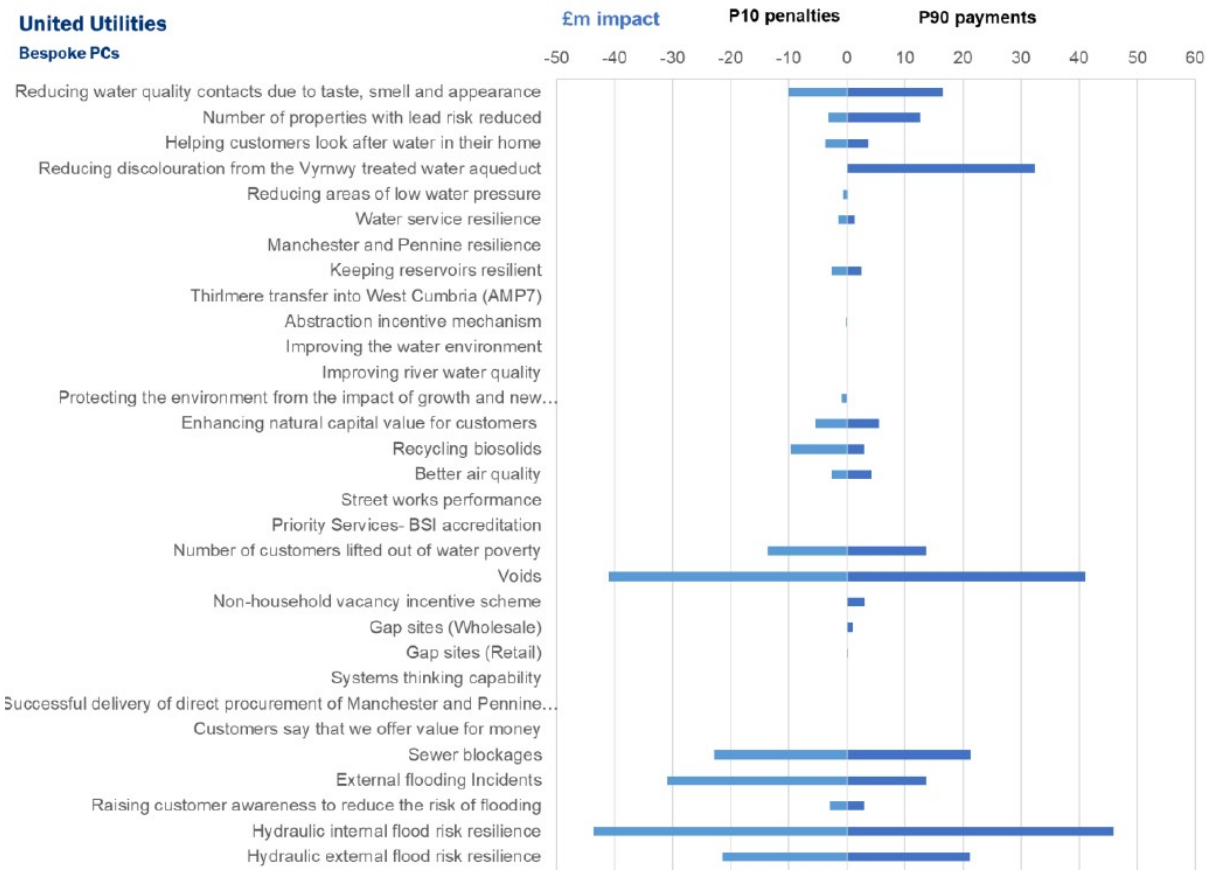
Abstraction incentive mechanism	x	x	x		
Improving the water environment	x		x		
Improving river water quality	x		x		
Protecting the environment from the impact of growth and new development	x	x		x	
Enhancing natural capital value for customers	x	x	x		
Recycling biosolids	x	x	x		
Better air quality	x	x	x		
Street works performance					x
Priority Services- BSI accreditation					x
Number of customers lifted out of water poverty	x	x	x		
Voids	x	x	x		
Non-household vacancy incentive scheme		x	x		
Gap sites (wholesale)		x	x		
Gap sites (Retail)		x	x		
Systems thinking capability		x	x		
Successful delivery of direct procurement of Manchester and Pennine resilience		x	x		
Customers say that we offer value for money		x	x		
Sewer blockages	x	x	x		
External flooding Incidents	x	x	x		
Raising customer awareness to reduce the risk of flooding	x	x	x		
Hydraulic internal flood risk resilience	x	x	x		
Hydraulic external flood risk resilience	x	x	x		

Figure 2 and Figure 3 below provide the FD's indication of the financial value of each incentive showing how much UUW would have to return to customers if it underperformed to the P10 level and how much UUW would gain if it outperformed to the P90 level. The P90 is the performance threshold at which there is only a 10% chance of outturn performance being better. The P10 is the performance threshold at which there is only a 10% chance of outturn performance being worse.

**Figure 2 Projected P10 underperformance payments and P90 outperformance payments for common performance commitments over 2020-2025 (£ million)**



**Figure 3 Projected P10 underperformance payments and P90 outperformance payments for bespoke performance commitments over 2020-2025 (£ million)**



Expenditure

Ofwat sets the allowed efficient totex for a company to deliver its environmental obligations and customer service levels. It does this through the utilisation of a mix of econometric and unit cost models, engineering assessments of company proposals for enhancements and adjustments based on company representations. For UUW, total allowed expenditure for the five price controls was £5,798 million. The allowed totex for the wholesale price controls are summarised in Table 5 with Residential Retail in Table 6.

**Table 5 Totex by wholesale price control and type of cost, 2020-2025 (£ million, 2017-18 CPIH deflated prices)**

	<b>Water resources</b>	<b>Water network plus</b>	<b>Wastewater network plus</b>	<b>Bioresources</b>
Base expenditure	360.7	1,946.2	1,839.2	356.5
Enhancement expenditure	25.3	160.1	650.7	0.6
Other additions (third party, strategic resources and non s185 diversions)	44.1	65.5	40.0	0
<b>Gross totex</b>	<b>430.1</b>	<b>2,171.7</b>	<b>2,529.9</b>	<b>357.2</b>
Grants and contributions after adjustment for income offset	-	79.1	87.0	
<b>Net allowed totex for PAYG calculation</b>	<b>430.1</b>	<b>2,092.5</b>	<b>2,442.9</b>	<b>357.2</b>

**Table 6 Expenditure, residential retail, 2020-2025 (£ million, nominal)**

	<b>Total</b>
<b>Residential retail</b>	474.8

Financing

In setting the allowed revenues for the wholesale controls, Ofwat also specifies the allowed return on capital that companies can recover to finance their investments. Ofwat's PR19 FDs set a standard rate across the industry for the period<sup>8</sup>, using the capital assets pricing model to derive the allowed return on equity and an assessment of embedded debt and new debt rates within the industry against the notional gearing assumption. Ofwat set a nominal allowed return on capital, which is then expressed in CPIH and RPI stripped terms. If companies can outperform this through more efficient financing then they are able to retain the benefits of this outperformance as additional profit. However, there is an adjustment mechanism that removes this benefit where it is related to market changes in the rates for new debt. This is measured with reference to the iBoxx A/BBB index<sup>9</sup> and is described in further detail in the subsection entitled "Reconciliation mechanisms" below.

**Table 7 Ofwat's allowed return on capital for 2020-2025**

	<b>Nominal</b>	<b>CPIH</b>	<b>RPI</b>
Allowed return on equity (including a debt beta)	6.27%	4.19%	3.18%
Allowed return on debt (new and embedded)	4.18%	2.14%	1.15%
Gearing (notional)	60%		

<sup>8</sup> Portsmouth Water and South Staffs Water received a company-specific adjustment to the allowed return on capital to account for the additional small company borrowing costs, often referred to as the 'small company premia'.

<sup>9</sup> The index used for reconciliation is a synthetic index derived as the average of the A and BBB rated HIS Markit iBoxx non-financial 10 years+ indices.

<b>Appointee allowed return on capital (vanilla)</b>	<b>5.02%</b>	<b>2.96%</b>	<b>1.96%</b>
Retail net margin deduction	0.04%		
<b>Wholesale allowed return on capital (vanilla)</b>	<b>4.98%</b>	<b>2.92%</b>	<b>1.92%</b>

CommUnity Share: additional support and benefit sharing for customers

CommUnity Share is a new commitment made by UUW for AMP7 where, as well as a guaranteed level of base funding for financial support schemes, UUW will provide matching financial benefits for customers and communities in the North West if UUW’s dividends or gearing rise above thresholds that are substantially higher than those forecast in its PR19 business plan. The thresholds for this are where, subject to certain conditions, outperformance dividends lead to distributions in excess of 7% of the equity portion of the RCV.

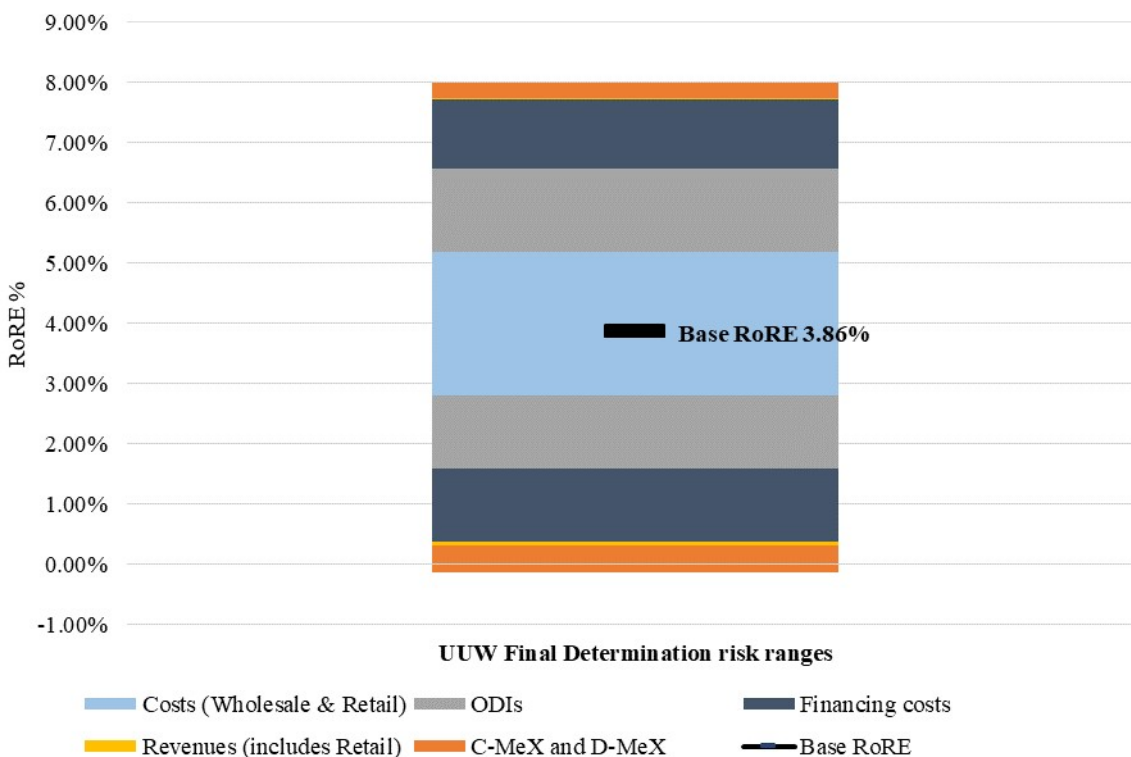
Together, these steps will ensure customers are protected in the event that significant outperformance is distributed as dividends, and/or gearing is elevated to high levels. CommUnity Share is in addition to other sharing that is already embedded in the AMP7 regulatory mechanisms or other voluntary reinvestment decisions UUW may take.

Risk analysis

The RoRE is a key financial metric by which Ofwat assesses the risks and rewards available to or earned by UUW. It reflects a range of different components of UUW’s FD. Ofwat’s assessment of RoRE includes the impact of upside and downside risk based on the notional structure and UUW’s assessment of the P10 and P90 confidence limits. P90 is the performance threshold at which there is a 10% chance of outturn performance being better. P10 is the performance threshold at which there is a 10% chance of outturn performance being worse.

The range of risks presented below is Ofwat’s view of the notional company with some generic assumptions on outperformance and underperformance companies. Ofwat has set a base RoRE of 3.86% within the FD with the potential to earn higher or lower returns for outperformance and underperformance respectively. Ofwat also allowed £24 million extra RoRE in recognition of UUW’s “fast track” status.

**Figure 4 Company representation and FD RoRE ranges for UUW**





The FD risk range reflects the following assumptions by Ofwat:

- The cost range is Ofwat’s assessment of the plausible range based on evidence of the historic sector performance and taking account of UUW’s cost sharing rates that apply in its FD.
- The financing cost risk range is based on Ofwat’s assessment of the range for a notional water company including both embedded and new debt.
- The outcome delivery incentive risk range has been determined under Ofwat’s Outcomes Framework.
- The C-Mex risk range is calculated as 12% upside and 12% downside of Residential Retail Revenue, reflecting the cap and collar limits for this incentive.
- The D-Mex risk range is calculated as 6% upside and 12% downside of developer services revenue, reflecting the cap and collar limits for this incentive

#### Reconciliation mechanisms

Part of the regulatory contract includes mechanisms to incentivise good performance (or to penalise poor performance), as well as adjust the FD for certain limited circumstances where outturn values are different from assumptions made in the FD and where these are outside management control. Historically, these reconciliations have been undertaken at the end of the period and rolled into the subsequent price review settlement. However, for a number of the AMP7 mechanisms, Ofwat moved to having a greater number of in-period adjustments meaning that revenues are adjusted more quickly in response to under/outperformance in the AMP.

Not all of these mechanisms are in period adjustments and those that are reconciled at the end of the period take into account the time value of money for the lag in revenues. Additionally, some adjustments apply to revenues whilst others apply to the RCV, reflecting the nature of the item being reconciled (for example, revenue reconciliations will apply to revenues whereas land sale reconciliations will apply to the RCV.)

In total there are 20 key reconciliation mechanisms<sup>10</sup>. UUW groups the mechanisms into one of three categories for ease of understanding;

- Mechanisms that reward or penalise company performance against the control, summarised within Table 8
- Mechanisms that share the risk and opportunities between companies and customers, summarised within Table 9, and
- Mechanisms that correct for differences in assumptions made at PR19 that are outside of management control summarised within Table 10

**Table 8 Mechanisms that reward or penalise company performance against the control**

<b>ODI performance model</b>	This model will determine how the ODI payments that have been accrued by companies in each year of performance, based on the performance commitment set in the PR19 FD.
<b>Customer measure of experience – C-Mex</b>	C-Mex is designed to incentivise companies to provide excellent levels of service to their residential customers. Based on its relative performance, each company can receive outperformance or incur underperformance payments each year.
<b>Developer measure of experience – D-Mex</b>	D-Mex is designed to incentivise companies to provide excellent levels of service to their developer customers. Based on its relative performance, each company can receive outperformance or incur underperformance payments each year.

<sup>10</sup> The list of mechanisms and their purpose are summarised in Table 8, Table 9 and Table 10.

<b>PR19 revenue forecasting incentive model</b>	This model shows how Ofwat will apply the revenue forecasting incentive (“RFI”). The RFI is a symmetric revenue adjustment applied in-period to reconcile any revenue under or over-recovery in an earlier year. Where differences between actual and allowed revenues are greater than 2%, the RFI applies a financial penalty. The RFI is applied to the network plus and water resources controls.
<b>PR19 Water trading incentive model</b>	This model calculates PR19 water trading incentives for qualifying trades starting in 2020-2025.
<b>In-period adjustments model</b>	This model adjusts price controls to reflect in-period outcome delivery incentives including C-Mex and D-Mex.
<b>PR19 blind year ODI difference model</b>	This model calculates the difference between the net ODIs for 2019-20 for each price control as forecast for UUW’s PR19 FD and the net ODI payments for each price control that would have been calculated if actual performance for 2019-20 had been known.

**Table 9 Mechanisms that share the risk and opportunities between companies and customers**

<b>Cost reconciliations</b>	This is the model Ofwat will use at PR24 to reconcile actual performance against the totex allowances from PR19. This includes the reconciliation of the real price effect allowances within the wastewater network plus and water price controls as well as reconciliations for items subject to their own cost sharing rates e.g. Business rates and Abstraction licences.
<b>Gearing outperformance sharing mechanism</b>	Ofwat explained its proposed default gearing outperformance sharing mechanism in its position statement entitled ‘ <i>Putting the sector in balance</i> ’, published in July 2018. In December 2019, Ofwat revised the mechanism in the FD to include a glide path for the trigger. This reconciliation model contains the calculations that underpin the updated mechanism.
<b>Land sales</b>	This model calculates the adjustment to the RCV for any disposal of interests in land by the regulated business in the years from 2020-21 to 2024-25.
<b>Strategic regional water resources reconciliation model</b>	This model reconciles revenue allowances for the strategic regional water resource options. The reconciliation accounts for the extent of progression of strategic options through the gated approval process.
<b>Innovation competition</b>	In December 2019, Ofwat confirmed UUW’s decision to make up to £200 million available for innovation activities for the 2020-2025 period through the introduction of an innovation competition. The model calculates the total amount of unused funds to be redistributed to individual companies’ customers. This is done in line with the original allocation methodology set out in PR19 FDs. This is an emerging area where Ofwat will continue to consult separately in more detail.

**Table 10 Mechanisms that correct for differences in assumptions made at PR19 that are outside of management control**

<b>Developer services revenue adjustment mechanism</b>	This model is designed to reconcile developer services revenues within the network-plus control for PR19.
<b>Residential retail reconciliation model</b>	This model shows how Ofwat will reconcile residential retail revenues over the PR19 period at PR24.

<b>Bioresources revenue reconciliation model</b>	This model shows how the Bioresources revenue reconciliation will work over 2020-2025. It combines and simplifies the previously published ‘Bioresources modified revenue model’, the ‘Bioresources in-period revenue correction model’ and the ‘Bioresources forecasting accuracy incentive model’. The model shows how Ofwat modifies the average revenue control each year based on the difference between outturn and forecast sludge production. In addition, the model shows how Ofwat adjustments allowed Bioresources revenue in one year to correct for any under or over-recovery of revenue in earlier years. Finally, it also shows how Ofwat apply the Bioresources forecasting accuracy incentive.
<b>Water industry national environment programme (WINEP) reconciliation model</b>	The purpose of this model is to account for the impact of ministerial decisions on the scale of companies’ environmental enhancement programmes where this differs from UUW’s assumptions made at FD.
<b>Cost of new debt reconciliation model</b>	This model, will index the cost of new debt by reference to a market benchmark in 2020-2025, with an end of period reconciliation adjustment.
<b>Tax reconciliation</b>	Ofwat’s PR19 methodology introduced a tax reconciliation mechanism, which will take account of any changes to corporation tax or capital allowance rates. Ofwat will make tax reconciliation adjustments at the end of the period, at the same time as it makes reconciliation adjustments in respect of the cost of debt. In order to do this it will recalculate the tax allowance for each year, to reflect changes to either the headline corporation tax rate or to the writing down allowances available on capital expenditure. To do this, Ofwat will rerun the PR19 financial model using the totex allowances, PAYG and RCV run-off rates (set out in the FD).
<b>RPI-CPIH wedge reconciliation model</b>	This is the model Ofwat will use in PR24 to reconcile for the difference between the actual RPI-CPIH (measures of inflation) wedge observed over the price control period, and the RPI-CPIH wedge included in the FD. It calculates the annual difference in the wedge and its impact on the RCV, allowed run-off revenue and allowed return revenue.
<b>Bilateral entry adjustment (BEA)</b>	This model shows how Ofwat will adjust relevant companies’ revenues should bilateral entry in the water resources market occur.

#### Direct procurement for customers (DPC)

For AMP7, Ofwat is encouraging companies to consider new means of procurement, design, construction, financing and operation for major asset investments through the introduction of DPC. Traditionally, the appointee designs, finances, constructs and then operates and maintains an asset to provide a service to customers. DPC aims to provide the same service to customers but through the sourcing of a third party competitively appointed provider (“CAP”). Ofwat considers that DPC has the potential to unlock potential efficiencies by different use of the competitive market either through more efficient solution costs or through a lower cost of financing.

Ofwat’s initial DPC guidance indicated a number of outline criteria that could inform whether DPC was likely to be beneficial for procurement of any given scheme. Among the key criteria were that the investment should be substantial (with a guideline had a whole life cost of >£100 million) and that the scheme was discrete and separable from other elements of the appointed activity. Where a company has one or more schemes that fulfil the DPC guideline criteria, it should undertake a procurement exercise to seek a CAP to deliver the service in order to assess which delivery route provides the best value for money for customers (relative to the traditional approach). Appointed companies are therefore only initially allowed to recover the costs associated with the initial procurement activities and investigations (the level of activity depends on whether the ‘early’ or ‘late’ model is followed).

If DPC offers the best value to customers then it is envisaged that companies will appoint a CAP and collect the revenues from customers on behalf of the CAP. If, however, the Appointee offers the best value for money, then it must seek to exit the DPC process and obtain an interim adjustment to its FD to recover the costs required to deliver the scheme.

#### The Haweswater Aqueduct Resilience Programme

For AMP7, UuW has identified one potential DPC scheme, known as the Haweswater Aqueduct Resilience Programme (“HARP”)<sup>11</sup>. The Haweswater Aqueduct is the largest potable water aqueduct in the UK by capacity and length, supplying more than 2.5 million households and transporting around 35% of UuW’s daily supply to customers. It is the major source of supply for the Greater Manchester and Pennine areas. This scheme involves the replacement of 109km of tunnel sections and it is anticipated that this scheme will potentially cost in excess of £1,000 million to deliver, including the cost of financing.

The HARP is following the ‘late’ DPC delivery model whereby UuW undertakes early phase activities, leaving the financing, detailed design and construction to the CAP. Within the FD for PR19, Ofwat made an allowance of £57 million for the initial development of the scheme, the procurement activities associated with sourcing a CAP as well as the early phase work on ground investigation and initial design. UuW is following HM Treasury Green Book in developing the scheme and will be assessing the best option to deliver the scheme, traditionally or through DPC. Should DPC offer better value for money for customers then UuW will award a contract to a CAP to deliver the scheme and only collect the revenues from customers on behalf of the CAP. If DPC does not offer better value for customers then UuW would trigger the uncertainty mechanism and seek an interim adjustment to its FD for the additional expenditure and revenues in AMP7 and beyond.

#### Strategic water resources programme

At FD, Ofwat allowed £469 million to the industry to investigate and develop integrated strategic regional water resource solutions during 2020-2025. This will enable companies to develop solutions on behalf of customers that are ‘construction ready’ for the 2025-2030 period, and that protect and enhance the environment and benefit wider society. These schemes will assess the viability of developing the infrastructure to enable water to be transported from the North to the South of the country to address shortages of supply.

UuW received £44 million of this strategic water resource programme. The allocation of this is split between two distinct projects:

- The Severn Trent/Thames transfer project – developing the infrastructure to connect parts of UuW’s supply to Severn Trent, who then transport water to the Thames’ region.
- Additional UuW sources – developing the replacement sources required to ensure that UuW customers do not suffer a loss to resilience.

There are four gateways in 2020-2025 where a joint Ofwat-Environment Agency team will review progress and determine how and if the projects should proceed. The standard gate timings align with other processes such as the water resources management plans. These schemes sit outside of the general cost sharing mechanism.

#### **Competition**

The UK Government and Ofwat are aiming to increase the extent of competition in the water sector, with the objectives of increasing efficiency and innovation, delivering sustainable and secure water supplies, improving the water environment and generating improved service and greater choice for customers.

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<sup>11</sup> Formerly known as the Manchester & Pennines Resilience scheme.

## **Retail reform**

The Water Act 2014 enabled all non-household water and sewerage customers in England to switch retail supplier from 1 April 2017. This includes businesses, charities and public sector customers. This reform has created a market of about 1.2 million customer sites in England. Previously, the ability to switch supplier has only applied to water customers, and only to very large users – those consuming more than five million litres per year. In comparison, in Scotland full retail competition for non-household customers has existed from 2008. Wales has retained its existing volume threshold of 50 million litres per year.

The Water Act 2014 also provides a mechanism for incumbent water and sewerage companies to voluntarily exit from the non-household retail market, but only with the consent of the Secretary of State. Such an exit is permanent in nature.

Most companies, including UUW, have exited the market. UU has entered into a joint venture agreement with Severn Trent, whereby UU and Severn Trent combined their non-household water and wastewater retail businesses into Water Plus, based in Stoke-on-Trent. Water Plus principally comprises billing and customer service activities.

Household customers are not able to switch retail supplier and are served by UUW in its role as an appointed company. Reviews of the potential for competition in this segment, completed in 2016, suggested it was unclear if there would be significant financial benefit from the introduction of competition for household customers.

## **Upstream Competition**

Changes under the Water Act 2014 also make it easier for new providers of water sources and sewage and sludge treatment services to enter the ‘upstream’ market for those wholesale activities.

The Water Act 2014 specifically provides for:

- Extension of access rights to water companies’ treatment and storage systems rather than just the mains and pipes as is currently the case. This would allow alternative suppliers, such as landowners with spare water resources, to input water into any part of the network; and
- Changes to the system governing ‘access’ prices that new licensees must pay incumbent water companies for using their network to make it easier for new entrants to earn sufficient margin to be able to compete with incumbent water companies.

Upstream competition reforms, particularly bilateral competition and authorisations to provide services into regulated networks – are expected to be implemented during AMP7.

Within PR19, steps were taken to encourage competition. The approach includes:

- Initiatives to encourage bidding to provide water supplies to other companies, as part of the Water Resource Management Plan process;
- Initiatives to encourage competition in providing Bioresources services, including publication of more information about potential competition opportunities and a separate price control for Bioresources; and
- Protection for past investment (pre-AMP7) by appointed companies in water resources and Bioresources.

## **Merger reform**

The Water Act 2014 also included changes to the UK merger control regime in respect of companies operating in the sector. Previously, any proposed merger between water and/or water and sewerage companies, where one or all of the companies have an annual turnover of £10 million or more, was automatically referred by the CMA for in-depth investigation. The provisions introduced by the Water Act 2014 enable the CMA to decide not to make a merger reference where either:

- It concludes that the merger is unlikely to prejudice Ofwat’s ability to make comparisons between water businesses; or

- It concludes that customer benefits (such as lower prices) will outweigh the prejudicial effect on Ofwat’s ability to make comparisons between water businesses.

Before making such a decision, the CMA must consult with Ofwat.

The CMA is also able, having consulted with Ofwat, to accept “undertakings in lieu” from the merging companies, rather than make a reference. These undertakings would focus on delivery of customer benefits in compensating for the loss of a comparator.

The Water Act 2014 also includes a duty on the CMA to keep the current £10 million merger turnover threshold under review and to advise the Secretary of State on whether the threshold is still appropriate. The Secretary of State can change the threshold by secondary legislation.

### **Board of directors**

The directors of UUW and their functions within the Group are as follows:

<b>Name</b>	<b>Function</b>
Sir David Higgins	Independent Non-Executive Director and Chairman
Steve Mogford	Chief Executive Officer
Phil Aspin	Chief Financial Officer
Lord Stephen Carter	Independent Non-Executive Director
Kath Cates	Independent Non-Executive Director
Mark Clare	Senior Independent Non-Executive Director
Alison Goligher	Independent Non-Executive Director
Brian May	Independent Non-Executive Director
Paulette Rowe	Independent Non-Executive Director
Doug Webb	Independent Non-Executive Director

There is no existing or potential conflict of interest between the directors’ duties to UUW and/or their private interests or other duties.

The business address of each director is Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington WA5 3LP. This is the registered address of UUW.

**MATERIAL CONTRACTS**

The Issuers and the Guarantor have not entered into any contracts (being contracts not entered into in the ordinary course of business) which are, or may be, material or which contain a provision under which either Issuer or the Guarantor or another member of the Group has an obligation or entitlement which is material to the relevant Issuer's or (where the relevant Issuer is UUWF) the Guarantor's ability to meet its obligations to Noteholders in respect of Notes to be issued under the Programme.

## 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 Notes.**

### UK TAXATION

**The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuers' understanding of current UK law and published HM Revenue & Customs ("HMRC") practice relating only to the withholding tax treatment of payments of interest (as that term is understood for UK tax purposes) in respect of the Notes. It does not deal with any other UK taxation implications of acquiring, holding or disposing of Notes and is subject to changes therein and thereof (possibly with retrospective effect) and does not purport to constitute legal or tax advice. Prospective Noteholders who may be unsure as to their tax position should seek their own professional advice.**

Payments of interest on the Notes may be made without deduction of or withholding for or on account of UK income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange", as defined in section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the FSMA and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of UK income tax.

Interest on the Notes may also be paid without withholding or deduction on account of UK income tax in the case of Notes the maturity of which is less than 365 days provided that such Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, and subject to the availability of another exemption, an amount must generally be withheld on account of UK income tax at the basic rate (currently 20 per cent.) from any payments of interest on the Notes that has a UK source. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a direction to the relevant Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Where interest has been paid under deduction for or on account of UK income tax, Noteholders who are not resident in the UK may be able to recover all or part of the tax deducted under an appropriate provision in any applicable double taxation treaty.

If the Guarantor makes any payments in respect of interest on the Notes (or in respect of other amounts due from the Issuers under the Notes), such payments may be subject to deduction of or withholding for or on account of UK income tax, subject to such relief as may be available under the terms of any applicable double taxation treaty. Such payments by the Guarantor may not be eligible for the exemptions described above.

Where Notes are issued at an issue price of less than 100 per cent. of their principal amount, any payments in respect of the accrued discount on such Notes should not be made subject to any withholding or deduction for or on account of UK income tax as long as they do not constitute payments in respect of interest for tax purposes. Where Notes are issued on terms that a premium is or may be payable on redemption, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest for tax purposes and, if so, the provisions described above relevant to interest will apply.

### FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required



to withhold under FATCA or an IGA from payments that it makes. Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event that any withholding were to be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person would be required to pay additional amounts as a result.

## SUBSCRIPTION AND SALE

The Dealers have in a programme agreement dated 26 November 2020 (as supplemented and/or amended and/or restated from time to time) (the “Programme Agreement”), agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuers (failing which, where the Issuer is UUWF, the Guarantor) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### **Selling Restrictions**

#### *United States*

The Notes 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 (as defined in Regulation S under the Securities Act) except to certain persons in offshore transactions in reliance on Regulation S under the Securities Act.

The Notes 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 U.S. 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 and regulations promulgated thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

### **Index Linked Notes only**

The Index Linked Notes have not been and will not be, registered under the Securities Act and trading in the Index Linked Notes has not been approved by the CFTC under the CEA. No Index Linked Notes may at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

Offers, sales, re-sales or deliveries of the Index Linked Notes or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades or deliveries of the Index Linked Notes, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading.

### **Prohibition of Sales to EEA and UK Retail Investors**

Unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to EEA and UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms in relation thereto to any retail investor in the EEA or in the UK. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the Final Terms in respect of any Notes specifies “Prohibition of Sales to EEA and UK Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA and the UK (each a “Relevant State”), 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 made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the relevant Final Terms in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

**United Kingdom**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

**Germany**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the Federal Republic of Germany other than in compliance with the provisions of the Prospectus Regulation (as defined above), the German Securities Prospectus Act (*Wertpapierprospektgesetz*), each as amended, or any other laws applicable from time to time in the Federal Republic of Germany governing the issue, offering and sale of securities.

**Belgium**

Other than in respect of Notes for which “Prohibition of Sales to Belgian Consumers” is specified as “Not Applicable” in the applicable Final Terms each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a “Belgian Consumer”) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

**Japan**

The Notes 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 “FIEA”) and 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 any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

**Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the MAS. 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 Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, 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.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

**Switzerland**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that this Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes and the Notes may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("FinSA") and no application has or will be made to admit the Notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to the FinSA, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

**General**

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers,

sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the relevant Issuer, the Guarantor, nor any of the other Dealers shall have any responsibility therefor.

None of the relevant Issuers, the Guarantor, the Trustee nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of the Notes by the relevant Issuer have been duly authorised by:

- (a) a resolution of the Board of Directors of United Utilities PLC, dated 26 May 1998 and by a resolution of the Financing Committee of United Utilities PLC, dated 5 October 1998;
- (b) a resolution of the Board of Directors of North West Water Finance PLC, dated 5 October 1998;
- (c) United Utilities Water PLC was duly authorised to join the Programme in place of North West Water Finance PLC and to issue Notes hereunder by a resolution of the Board of Directors of United Utilities Water PLC dated 13 September 2001; and
- (d) United Utilities Water Finance PLC was duly authorised to join the Programme and to issue Notes hereunder by the UU Approval and the UUW Approval, (each as defined below) and by a resolution of the Board of Directors of United Utilities Water Finance PLC dated 13 November 2014.

This update of the Programme was duly authorised by:

- (a) a resolution of the Board of Directors of UU to delegate certain powers by power of attorney, dated 1 May 2020;
- (b) a power of attorney, dated 1 May 2020;
- (c) a certificate of approval, made under the Power of Attorney of the Board of Directors of UU, dated 17 November 2020 (the “UU Approval”);
- (d) a resolution of the Board of Directors of UUWF to delegate certain powers by power of attorney, dated 1 May 2020;
- (e) a power of attorney, dated 1 May 2020;
- (f) a certificate of approval made under the Power of Attorney of the Board of Directors of UUWF, dated 17 November 2020;
- (g) a resolution of the Board of Directors of UUW to delegate certain powers by power of attorney, dated 28 April 2020;
- (h) a power of attorney, dated 28 April 2020; and
- (i) a certificate of approval, made under the Power of Attorney of the Board of Directors of UUW, dated 17 November 2020 (the “UUW Approval”).

Additionally, issues of Notes by either Issuer will require authorisation.

### Third Party Information

Where information in this Offering Circular has been sourced from third parties, this information has been accurately reproduced and as far as the Issuers and the Guarantor are aware and are able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

### **Listing of Notes**

It is expected that each Tranche of Notes which is to be admitted to the Official List and admitted to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to the FCA for Notes issued under the Programme to be admitted to the Official List and on the London Stock Exchange's regulated market. The listing of the Programme in respect of Notes is expected to be granted on or around 30 November 2020.

### **Documents Available**

For the period of 12 months following the date of this Offering Circular, the following documents will, when published, be available for inspection at <https://www.unitedutilities.com/corporate/investors/credit-investors/debt-issuance/>, save where an alternative location is stated below:

- (a) the up to date Memorandum and Articles of Association of each of the Issuers and the Guarantor (*accessible at: <https://www.unitedutilities.com/corporate/investors/shareholders/corporate-governance/>*);
- (b) the Trust Deed (which includes the Guarantee) and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (c) a copy of this Offering Circular; and
- (d) any future offering circulars, prospectuses, information memoranda and supplements to this Offering Circular including Final Terms and any other documents incorporated herein or therein by reference.

### **Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

There has been no significant change in the financial position or financial performance of UU and its consolidated group since 31 March 2020. There has been no material adverse change in the prospects of each of UU and its consolidated group since 31 March 2020.

There has been no significant change in the financial position or financial performance of U UW and its consolidated group since 31 March 2020. There has been no material adverse change in the prospects of U UW and its consolidated group since 31 March 2020.

There has been no significant change in the financial position or financial performance of U UWF since 31 March 2020. There has been no material adverse change in the prospects of U UWF since 31 March 2020.



## Litigation

In February 2009, UUIL was served with notice of a multiparty ‘class action’ in Argentina related to the issuance and payment default of a US\$230 million bond by IEBA, an Argentine project company set up to purchase one of the Argentine electricity distribution networks which were privatised in 1997. UUIL had a 45 per cent. shareholding in IEBA which it sold in 2005. The claim is for a non-quantified amount of unspecified damages and purports to be pursued on behalf of unidentified consumer bondholders in IEBA. UUIL has filed a defence to the action and continues to resist the proceedings. In August 2018, the Argentine Court of Appeal ruled that the matter would be tried as a class action. The next stage in the proceedings is for evidence to be submitted, following which a date will be set for a preliminary hearing to take place.

In March 2010, MSCC issued proceedings seeking, amongst other relief, damages alleging trespass against U UW in respect of U UW’s discharges of water and treated effluent into the canal. Whilst the Supreme Court has found substantively in U UW’s favour on a significant element of the claim, the matter has not reached a final conclusion, as MSCC has raised a number of additional points. The outstanding matters remain in dispute although it is not known when these will be determined by the courts.

Except as set out above in this section titled “*Litigation*” there are no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) of which UU, U UW, U UWF or any of UU’s or U UW’s consolidated groups are aware in the last 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of UU, U UW, U UWF or any of UU’s or U UW’s consolidated groups.

The Group is engaged in litigation in the ordinary course of its operations, such as contract disputes, disputes over easements/wayleaves and other similar property matters, bill collections, personal injury claims and workers’ compensation claims. The Group does not believe that such litigation, either individually or in aggregate, is material. The Group maintains insurance and, to the extent that the amounts in dispute may not be covered by such insurance, maintains provisions in those situations where management deems it appropriate in accordance with IFRS as adopted by the EU.

## Auditors

KPMG LLP audited the financial statements of UU, U UWF, the Guarantor and UUG in accordance with International Standards on Auditing (UK) and applicable law for the years ended 31 March 2020 and 31 March 2019 and issued unqualified reports thereon. KPMG LLP has no material interest in the Issuers.

The Trust Deed provides that the Trustee may rely on any certificate or report (whether or not addressed to the Trustee) of the auditors or any other person called for by or provided to the Trustee for the purposes of the Trust Deed notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the auditors or such other person in respect thereof.

## Financial Information

The UU financial statements for each of the years ended 31 March 2020 and 31 March 2019 were audited in accordance with IFRS as adopted by the EU.

The U UWF financial statements for the years ended 31 March 2020 and 31 March 2019 were audited in accordance with UK GAAP, including FRS 101 Reduced Disclosure Framework.

The financial statements for the Guarantor for each of the years ended 31 March 2020 and 31 March 2019 were audited in accordance with IFRS as adopted by the EU.

The UUG financial statements for each of the years ended 31 March 2020 and 31 March 2019 were audited in accordance with IFRS as adopted by the EU.

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

The Contracts (Rights of Third Parties) Act 1999 (the “Act”) was enacted on 11 November 1999 and provides, inter alia, that persons who are not parties to a contract governed by the laws of England and Wales may be given enforceable rights under such contract.

### **Post-issuance information**

The Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

### **Dealers transacting with the Issuer and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuers, the Guarantor and their affiliates in the ordinary course of business.

Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes 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 the securities of the Issuer, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Index Linked Notes**

Payments of principal and interest in respect of Index Linked Notes will be calculated by reference to an Index Ratio, derived from: (i) the RPI (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace RPI or (“RPI Linked Notes”), (ii) the CPI (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace CPI (“CPI Linked Notes”) or (iii) the CPIH (for all items) published by the Office for National Statistics (2015 = 100), or any comparable index which may replace CPIH (“CPIH Linked Notes”).

Payments of both interest and principal under Index Linked Notes are directly governed by the performance of the relevant Index. If the Index Ratio decreases, then payments will be lower. If the Index Ratio increases, then payments will be higher.

### **Background to the Indices**

RPI is one of the most familiar general purpose domestic measures of inflation in the UK. RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the Office for National Statistics using a large and representative selection of separate goods and services for which price movements are regularly measured in various areas throughout the UK. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the Office for National Statistics to compile the index, so each month’s RPI figure is published during the following month, (e.g. the figure relating to July will be published in August). The RPI figures used in the calculation of payments of interest on, and the redemption amount of, the RPI Linked

Notes are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on RPI, including past and current levels, can be found at the following website: [www.statistics.gov.uk](http://www.statistics.gov.uk).

CPI is a measure of inflation in the UK and is produced to international standards and is in line with European Regulations. The CPI is the inflation measure which has been increasingly used by the Government and has been the Bank of England's target for inflation since December 2003. Approximately 180,000 separate price quotations are used each month in compiling CPI. It takes two or three weeks for the Office for National Statistics to compile the index, so they publish each month's CPI figure during the following month, i.e. the figure relating to January will be published in February.

CPIH is a measure of UK consumer price inflation that includes owner occupiers' housing costs ("OOH"). These are the costs of housing services associated with owning, maintaining and living in one's own home. OOH does not include costs such as utility bills, minor repairs and maintenance, which are already included in the index. CPIH uses an approach called rental equivalence to measure OOH. Rental equivalence uses the rent paid for an equivalent house as a proxy for the costs faced by an owner occupier. It takes two or three weeks for the Office for National Statistics to compile the index, so they publish each month's CPI figure during the following month, i.e. the figure relating to January will be published in February.

Information about the past and further performance and volatility of CPI and CPIH can be found at the following website: <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Consumer+Price+Indices>.

#### **Calculation of interest and redemption amounts on Index Linked Notes**

Payments of principal and interest on Index Linked Notes will be adjusted to take into account changes in the Index from the Base Index Figure specified in the applicable Final Terms.

In respect of each Tranche of Index Linked Notes, a rate of interest will be specified in the applicable Final Terms. The interest amount due on each Interest Payment Date (such dates to be specified in the applicable Final Terms) will be that rate multiplied by the ratio which reflects the change in the Index between the Base Index Figure and the Index figure relating to a particular month or date (as specified in the applicable Final Terms) prior to the relevant Interest Payment Date.

Subject to any early redemption of Index Linked Notes, such Index Linked Notes will be redeemed on their specified Maturity Date at a Final Redemption Amount specified in the applicable Final Terms, provided that:

- (a) if the Index figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in the Index will also be paid (subject to any maximum redemption amount specified in the applicable Final Terms); and
- (b) if the Index figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the Index Linked Notes will be reduced to reflect such decrease in the Index (subject to any minimum redemption amount specified in the applicable Final Terms).

#### **Index Figure applicable**

The Index Figure applicable for RPI Linked Notes relating to a particular month or date will be the figure either 3 months or 8 months prior to the particular month or date (3 months or 8 months to be specified in the applicable Final Terms). The Index Figure applicable for CPI Linked Notes or CPIH Linked Notes relating to a particular month or date will be the figure "t" months prior to the particular month or date ("t" months to be specified in the applicable Final Terms). If an 8 month period is specified as the Index Figure applicable for RPI Linked Notes, it will be the first day of the month that is 8 months prior to the month in which the relevant payment falls due. If a 3 month period is specified as the Index Figure applicable for RPI Linked Notes, or if CPI or CPIH is specified as the Index, the Index Figure applicable will be determined using the formula which is calculated by the linear interpolation between the relevant reference Index

applicable to the first calendar day of the month in which the relevant day falls and the relevant reference Index applicable to the first calendar day of the month immediately following (set out in Condition 7.1).

**Legal Entity Identifiers (“LEI”)**

The Issuers’ and Guarantor’s respective LEIs are:

- UU: 213800KYT12UFB2VE455
- UUWF: 213800313INX42GDLR44
- UUW: 213800RQ5FMB2GQ69174

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