Dŵr Cymru (Financing) UK Plc

(incorporated with limited liability in England and Wales with registered number 11949988)
(Legal Entity Identifier: 213800GDOFO2ED5PNC85)

Multicurrency programme for the issuance of up to £4,000,000,000 Asset-Backed Bonds and up to £4,000,000,000 Guaranteed Asset-Backed Bonds

financing

Dŵr Cymru Cyfyngedig

(incorporated in England and Wales with limited liability with registered number 2366777)

On 4 May 2001, Dŵr Cymru (Financing) Limited ("**DCFL**") entered into a £3,000,000,000 multicurrency asset-backed bond programme (the "**Programme**"). Pursuant to a reorganisation in 2019, DCFL was substituted with Dŵr Cymru (Financing) UK Plc (the "**Issuer**" or "**DCF**") as the issuer of all Bonds previously issued by DCFL and accordingly DCF has succeeded DCFL as the Issuer under the Programme. On 11 November 2019, the Issuer increased the programme limit to £4,000,000,000 as part of the annual update of the Programme.

Any Bonds (as defined below) issued under the Programme on or after the date of this prospectus (the "**Prospectus**") are issued subject to the provisions described herein. This Prospectus does not affect any Bonds issued before the date of this Prospectus.

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

Application has been made to the Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority under Article 6(1) of the Luxembourg Act dated 16 July 2019 relating to prospectuses for securities, for the approval of this Prospectus as a base prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended (the "**Prospectus Regulation**"). No approval has been made by the CSSF for Class A Bonds (as defined below) pursuant to this Prospectus. Application has also been made for the Bonds issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the official list of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market (the "**Luxembourg Stock Exchange Regulated Market**"). References in this Prospectus to the Bonds being "listed" (and all related references) shall mean that such Bonds have been admitted to the Official List and admitted to trading on the Luxembourg Stock Exchange Regulated Market. The Luxembourg Stock Exchange Regulated Market is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments.

This Prospectus has been approved by the CSSF, as competent authority under the Prospectus Regulation. The CSSF only approves this Prospectus as meeting standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Bonds that are the subject of this Prospectus and investors should make their own assessment as to the suitability of investing in the Bonds. By approving this Prospectus, the CSSF gives no undertaking as to the economic and financial soundness of the transaction or the quality or solvency of the Issuer in line with the provisions of Article 6(4) of the Luxembourg law on Prospectuses for securities of 16 July 2019.

In compliance with Article 21(8) of Regulation (EU) 2017/1129, this Prospectus is valid for a period of 12 months from the date of this Prospectus. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Prospectus is no longer valid.

Details of the aggregate principal amount, interest (if any) payable, the issue price and any other conditions not contained herein, which are applicable to each Sub-Class of each Class of each Series (all as defined below) will be set forth in the final terms or, as the case may be, a drawdown prospectus (containing such final terms) supplementary to this Prospectus (the final terms or the drawdown prospectus, the "**Final Terms**"), which will be delivered to the Luxembourg Stock Exchange on or before the relevant date of issue.

Bonds to be issued under the Programme will be issued in series (each a "**Series**") and may be issued in one or more of five classes. The guaranteed asset-backed bonds have been designated as "**Class A Bonds**". The asset-backed bonds will be designated as one of "**Class B Bonds**", "**Class R Bonds**" "**Class C Bonds**" or "**Class D Bonds**" (each a "**Class**"). Each Class may be further divided into sub-classes (each a "**Sub-Class**") with each Sub-Class pertaining to, *inter alia*, the currency, interest rate and maturity date of the relevant Sub-Class. Each Sub-Class may be fixed rate, floating rate or index-linked Bonds and may be denominated in sterling, euro, U.S. dollars or other currency, as specified in the relevant Final Terms.

Details of the Bonds issued on 10 May 2001 (the "**Initial Issue Date**"), 16 April 2003 (the "**Second Issue Date**"), 28 November 2006 (the "**Third Issue Date**"), 7 December 2006 (the "**Fourth Issue Date**"), 31 March 2010 (the "**Fifth Issue Date**"), 14 July 2011 (the "**Sixth Issue Date**") and 24 January 2018 (the "**Seventh Issue Date**") and which have not been redeemed and so remain in issue, are set out in the table on page 202 herein.

Each Sub-Class of the Class B Bonds to be issued is expected on issue to have the three credit ratings listed below from the respective credit rating agencies.

Class	S&P	Moody's	Fitch
Class B Bonds	A (Negative)	A2 (Negative)	A (Negative)

The Class A Bonds issued on the Initial Issue Date are unconditionally and irrevocably guaranteed as to scheduled payments of interest and principal (other than any accelerated or additional amounts and Subordinated Coupon Amounts, as defined below) pursuant to financial guarantee insurance policies (and the endorsements thereto) originally issued by MBIA Assurance S.A. With effect from 28 December 2007, the business of MBIA Assurance S.A. was transferred to MBIA UK Insurance Limited (the "**Transfer**"); MBIA UK Insurance Limited, therefore, assumed all rights and obligations of MBIA Assurance S.A. under the Transaction Documents as if it were the Financial Guarantor (as defined below) of the Class A Bonds issued on the Initial Issue Date. Further Class A Bonds that were issued on the Fourth Issue Date are unconditionally and irrevocably guaranteed as to scheduled payments of interest and principal (other than any accelerated or additional amounts and Subordinated Coupon Amounts) pursuant to financial guarantee insurance policies (and the endorsements thereto) issued by MBIA UK Insurance Limited. On 10 January 2017, Assured Guaranty Corp. acquired the entire issued share capital of MBIA UK Insurance Limited, following which the registered name of MBIA UK Insurance Limited was subsequently changed to Assured Guaranty (London) plc ("**AGLN**"). On 7 November 2018, AGLN transferred its insurance portfolio to, and merged with and into Assured Guaranty (Europe) plc ("**Assured Guaranty**"). References to the "**Initial Financial Guarantor**" shall mean MBIA Assurance S.A. prior to the Transfer and Assured Guaranty after the Transfer.

As of the date of this Prospectus, any Class A Bonds currently in issue have a rating of, and any further Class A Bonds to be issued pursuant to this Programme are expected to have a rating of, AA (Stable) by S&P Global Ratings Europe Limited ("**S&P**"), A2 (Stable) by Moody's Investors Service Limited ("**Moody's**") and A (Negative) by Fitch Ratings Limited ("**Fitch**" and together with S&P and Moody's, the "**Rating Agencies**"). Any credit rating in respect of Class A Bonds is based solely upon the financial strength of the Initial Financial Guarantor or any other applicable Financial Guarantor (as defined below), as the case may be (except to the extent, as is currently the case, that

such rating is lower than that assigned to the Class B Bonds by the same Rating Agency, in which case, the rating assigned to the Class A Bonds shall be the same as that assigned to the Class B Bonds by the same Rating Agency). As the ratings of the Initial Financial Guarantor have been lowered to ratings below those ratings assigned to the Class B Bonds, the ratings assigned to the Class A Bonds, at the date of this Prospectus, are the same as those ratings assigned to the Class B Bonds by the respective Rating Agencies. None of the Class B Bonds, Class R Bonds, Class C Bonds or Class D Bonds will benefit from a guarantee of any Financial Guarantor (as defined below) or any other financial institution. Any ratings ascribed to the Bonds reflect only the views of the Rating Agencies.

Although the credit ratings of any Class A Bonds which may be issued under the Programme in the future are expected to have the credit ratings described above, their actual credit ratings are not known as at the date of this Prospectus. If in the future any Financial Guarantor shall provide a Financial Guarantee in respect of any Class A Bonds to be issued in the future, this Prospectus shall be updated, or a supplement to this Prospectus published, to include information on such Financial Guarantor and the relevant Financial Guarantee. For the avoidance of doubt, the Issuer is not intending, as of the date of this Prospectus, to issue any further Class D Bonds pursuant to this Prospectus. If any Class C Bonds are issued under the Programme in the future, such Class C Bonds are expected to have a credit rating assigned by the Rating Agencies, however, such credit rating will be known at the date of issue only. If any Class D Bonds are issued under the Programme, such Class D Bonds will not be assigned a credit rating.

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

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended (the "**CRA Regulation**"). The credit ratings included or referred to in this Prospectus will be treated for the purposes of CRA Regulation as having been issued by S&P, Fitch and Moody's upon registration pursuant to the CRA Regulation. Each of the Rating Agencies is a credit rating agency established and operating in the European Community and is registered under the CRA Regulation.

Whether or not a rating in relation to any Class of Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

The European Securities and Markets Authority ("**ESMA**") is obliged to maintain on its website a list of credit rating agencies registered in accordance with the CRA Regulation. This list must be updated within 30 days of ESMA's notification to the relevant credit rating agency of adoption of any decision to withdraw the registration of a credit rating agency under the CRA Regulation.

Amounts payable under the Bonds may be calculated by reference to (i) LIBOR, which is provided by ICE Benchmark Administration Limited ("**IBA**"), (ii) EURIBOR, which is provided by the European Money Markets Institute (the "**EMMI**"), (iii) SONIA, which is provided by the Bank of England, (iv) UK Retail Prices Index, which is provided by the Office for National Statistics ("**RPI**"), (v) UK Consumer Prices Index, which is provided by the Office for National Statistics ("**CPI**") or (vi) CPIH, which is provided by the Office for National Statistics. As at the date of this Prospectus, the IBA and EMMI appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**").

As far as the Issuer is aware, SONIA, RPI, CPI and CPIH do not fall within the scope of the Benchmark Regulation by virtue of Article 2 of that Regulation.

Interests in the Temporary Global Bonds will be exchangeable for interests in Permanent Global Bonds on or after a date which is expected to be 40 days after the Issue Date of the relevant Sub-Class of the Bonds upon certification as to non-U.S. beneficial ownership.

Please see Chapter 2: "Risk Factors" to read about certain factors prospective investors should consider before buying any Bonds.

ARRANGER FOR THE PROGRAMME

HSBC

DEALERS

Barclays **BNP Paribas**

HSBC **Lloyds Bank Corporate Markets**

NatWest Markets

Prospectus dated 11 November 2019

IMPORTANT NOTICE

*This prospectus comprises a base prospectus for the purposes of the **Prospectus Regulation**. The Issuer accepts responsibility for the information contained in this Prospectus and the Final Terms for each Class of Bonds issued under the Programme and in respect of sections defined below as the DCC Information and the Glas Information, the Issuer accepts responsibility for accurately reproducing such information into this Prospectus. To the best of the knowledge of the Issuer, the information contained herein is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*The information contained in Chapter 4 "DCC, the Issuer, the Glas Group and Glas Holdings" insofar as it relates to DCC, Chapter 5 "Water Regulation", Chapter 2 "Risk Factors – Risks relating to DCC and its business – Regulatory Risks – Regulatory Changes to Increase Competition in the Water Industry" insofar as it relates to DCC and, insofar as they relate to DCC, paragraphs 7, 9, 12, 13 and 16 in Chapter 11 "General Information" has been sourced from DCC (together the "**DCC Information**"). The Issuer accepts responsibility for accurately reproducing the DCC Information into this Prospectus. As far as the Issuer is aware and is able to ascertain from information provided by DCC, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*The information contained in the documents incorporated by reference insofar as they relate to Glas and the information contained therein (see "Documents Incorporated by Reference"), Chapter 4 "DCC, the Issuer, the Glas Group and Glas Holdings" and, insofar as they relate to Glas, paragraphs 7 9, 12 and 13 in Chapter 11 "General Information" has been sourced from Glas (together the "**Glas Information**"). The Issuer accepts responsibility for accurately reproducing the Glas Information into this Prospectus. As far as the Issuer is aware and is able to ascertain from information provided by Glas, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

*No representation, warranty or undertaking is made, and no responsibility is accepted by DCC, the Guarantors, Glas Holdings, the Initial Financial Guarantor, the Issuer Security Trustee, the Bond Trustee, the DCC Security Trustee, the Liquidity Facility Providers, the Current Issuer Hedge Counterparties, the Authorised Loan Providers, the Finance Lessors, the Current DCC Hedge Counterparties, the Cash Manager, the Dealers or the Arranger (each as defined below and, together, the "**Other Parties**") or any affiliate of any of them (other than the Issuer) as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in relation to the Bonds or their distribution. None of the Other Parties (other than DCC with respect to the DCC Information only and Glas with respect to the Glas Information only) has made any independent investigation or verification of the accuracy or completeness of any information contained in this Prospectus and none of them is responsible for any of the information contained in this Prospectus.*

None of DCC, the Guarantors, Glas Holdings, the Initial Financial Guarantor, the Issuer Security Trustee, the Bond Trustee, the DCC Security Trustee or the Other Parties accept responsibility to investors for the regulatory treatment of their investment in the Bonds including (but not limited to) whether any transaction or transactions pursuant to which Bonds are issued from time to time is or will be regarded as constituting a "securitisation" for the purposes of Regulation (EU) 2017/2402 by any regulatory authority in any jurisdiction. If the regulatory treatment of an investment in the Bonds is relevant to an investor's decision whether or not to invest, the investor should make its own determination as to such treatment and for this purpose seek professional advice and consult its regulator. Prospective investors are referred to the "Risk Factors – Risks relating to DCC and its business" section of this Prospectus for further information.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – *The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU*

*("**MIFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MIFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.*

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

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

Singapore SFA Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "***SFA***") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "***CMP Regulations 2018***"), unless otherwise specified before an offer of Bonds, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and are Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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

Each of (i) the Issuer, in respect of all content other than the DCC Information and Glas Information, (ii) DCC, in respect of the DCC Information only, and (iii) Glas, with respect to the Glas Information only, have confirmed to the Dealers that this Prospectus (including, for this purpose, each relevant Final Terms) contains all information which is material in the context of the relevant Bonds (including all information required by applicable laws and the information that, according to the particular nature of the Issuer, DCC, the Guarantors, Glas Holdings and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attaching to the Bonds) is true, accurate and complete in all material respects and is not misleading; that the opinions and intentions expressed herein are honestly held and based on reasonable assumptions; that there are no other facts in relation to the information contained or incorporated by reference in this Prospectus the omission of which would, in the context of the Programme or the issue of Bonds, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Dealers that this Prospectus (together with, as the case may be, the relevant Final Terms) contains or, as the case may be, will contain all such information as may be required by all applicable laws, rules and regulations.

Prospective investors should have regard to the factors described in Chapter 2 "Risk Factors" in this Prospectus. This Prospectus does not describe all of the risks of an investment in the Bonds. Neither this Prospectus nor any Final Terms or any other financial statements constitutes an offer or an invitation to

subscribe for or purchase any Bonds and are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or any of the Other Parties that any recipient of this Prospectus, any Final Terms or any other financial statements should subscribe for or purchase the Bonds. Purchasers of Bonds should conduct such independent investigation and analysis regarding the Issuer, DCC, Glas or any relevant Financial Guarantor (if applicable), the security arrangements and the Bonds as they deem appropriate to evaluate the merits and risks of an investment in the Bonds. Purchasers of Bonds should have sufficient knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained in this Prospectus and the relevant Final Terms (if any) and the merits and risks of investing in the Bonds in the context of their financial position and circumstances with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. None of the Other Parties expressly undertakes to review the financial condition or affairs of the Issuer or DCC during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Other Parties. The Risk Factors identified in this Prospectus are provided as general information only and the Issuer and Other Parties disclaim any responsibility to advise purchasers of Bonds of the risks and investment considerations associated therewith as they may exist at the date hereof or as they may from time to time alter.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer, DCC or Glas or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Other Parties or any of their respective affiliates.

HSBC Bank plc will not regard any actual or prospective holders of Bonds (whether or not a recipient of this Prospectus and/or the relevant Final Terms) as its client in relation to the offering of any Bonds contemplated by or pursuant to this Prospectus and/or the relevant Final Terms and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for providing the services in relation to the offering of any Bonds contemplated by or pursuant to this Prospectus and/or the relevant Final Terms or any transaction or arrangement referred to herein or therein.

Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Bond shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial situation of the Issuer, DCC or Glas since the date hereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

*The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuer and the Other Parties to inform themselves about and to observe any such restrictions. The Bonds and the Financial Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, subject to certain exceptions, the Bonds and the Financial Guarantees may not be offered, sold or otherwise transferred, or in the case of Bearer Bonds, delivered, within the United States or to U.S. persons. The Bonds may include Bonds that are in bearer form that are subject to U.S. tax law requirements. For a description of these and certain further restrictions on offers, sales and transfers of Bonds and the Financial Guarantees and distribution of this Prospectus see "Subscription and Sale". The Bonds and any Financial Guarantees in respect thereof have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing*

*authorities passed upon or endorsed the merits of the offering of Bonds or Financial Guarantees or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States. In addition, this Prospectus and any Final Terms are being distributed only to, and directed only at, persons who (i) are outside the United Kingdom or (ii) are persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). This Prospectus and any Final Terms, or any of their respective content, must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus and any Final Terms relates are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. For a description of certain restrictions on offers, sales and deliveries of Bonds and on the distribution of this Prospectus or any Final Terms and other offering material relating to Bonds, see Chapter 10 "Subscription and Sale".*

The Issuer and the Other Parties do not represent that this document may be lawfully distributed, or that any Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any 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 Issuer or the Other Parties which would permit a public offering of any Bonds or distribution of this Prospectus or any Final Terms in any jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus, any Final Terms 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, and the Dealers have represented that all offers and sales will be made by them on the same terms. Persons into whose possession this Prospectus or any Final Terms or any Bonds come are required by the Issuer and the Other Parties to inform themselves about, and observe any such restrictions. For a description of certain restrictions on offers and sales of the Bonds and distribution of this Prospectus or any Final Terms, see Chapter 10 "Subscription and Sale".

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

THE BONDS AND THE FINANCIAL GUARANTEES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") AND ANY SUCH BONDS IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE BONDS AND THE FINANCIAL GUARANTEES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF BONDS OR THE ACCURACY OR THE ADEQUACY OF THIS PROSPECTUS AND, SUBJECT TO CERTAIN EXCEPTIONS, THE BONDS AND THE FINANCIAL GUARANTEES MAY NOT BE OFFERED OR SOLD, OR DELIVERED, IF IN BEARER FORM, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")). ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

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

*All references in this Prospectus to "**sterling**" and "**£**" refer to the lawful currency of the United Kingdom, to "**U.S. dollars**" and "**$**" refer to the lawful currency of the United States of America, and to "**euro**" and "**€**" refer to the lawful currency of member states of the European Community (the "**Member States**") that have adopted the euro as their lawful currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.*

Any reference in this Prospectus to any legislation (whether primary legislation or other subsidiary legislation made pursuant to primary legislation) shall be construed as a reference to such legislation as the same may have been, or may from time to time be, amended, superseded or re-enacted.

In connection with the issue of any Sub-Class of Bonds, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "Stabilisation Manager(s)") (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot such Bonds or effect transactions with a view to supporting the market price of such Bonds at a level higher than that which might otherwise prevail. However, there is no obligation on the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s) to undertake) stabilisation. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Sub-Class 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 Sub-Class of Bonds and 60 days after the date of the allotment of the relevant Sub-Class of Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilising shall, as against the Issuer, be for the account of the Stabilisation Manager(s).

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CHAPTER 1
GENERAL DESCRIPTION OF THE PROGRAMME

The following is a general description of the Programme. It is a brief overview only, is qualified in its entirety by, and should be read in conjunction with, the remainder of this Prospectus and, in relation to any Bonds, in conjunction with the relevant Final Terms and, to the extent applicable, the Conditions of the Bonds set out herein or therein. This Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Bonds which are to be admitted to trading on a regulated market in the European Economic Area (the "EEA") and/or offered to the public in the EEA other than in circumstances where any exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation.

Introduction and Use of Proceeds	An amount equal to the sterling equivalent of the gross proceeds of issue or, in the case of Class R Bonds, sale of each Series of Bonds has been or may be advanced by the Issuer to DCC under the terms of an Intercompany Loan Agreement (see Chapter 6 "*Financing Structure*" under "*Intercompany Loan Agreements*" and "*Additional Resources Available*" under "*Class R Bonds*").
Initial Programme Amounts	*Asset-Backed Bonds* The maximum aggregate principal amount of asset-backed bonds (including the Class R Bonds) which may be outstanding under the Programme shall be £4,000,000,000 or the equivalent thereof in permitted currencies. *Class R Bonds* The maximum aggregate principal amount of Class R Bonds which may be outstanding under the Programme shall be £200,000,000. *Guaranteed Asset-Backed Bonds* The maximum aggregate principal amount of guaranteed asset-backed bonds which may be outstanding under the Programme shall be £4,000,000,000 or the equivalent thereof in permitted currencies. For the purpose of calculating the sterling (the "**Base Currency**") equivalent of the principal amount of Bonds outstanding under the Programme from time to time, the Base Currency equivalent of Bonds denominated in another currency shall be determined by the Agent Bank (as defined below) on the basis of the currency exchange rate under the relevant Hedging Agreement on the last preceding day on which commercial banks and foreign exchange markets were open for business in London.
Issue Dates	10 May 2001 (the "**Initial Issue Date**"), 16 April 2003 (the "**Second Issue Date**"), 28 November 2006 (the "**Third Issue Date**"), 7 December 2006 (the "**Fourth Issue Date**"), 31 March 2010 (the "**Fifth Issue Date**"), 14 July 2011 (the "**Sixth Issue Date**"), 24 January 2018 (the "**Seventh Issue Date**") and thereafter such dates (each an "**Issue Date**") as agreed between the Issuer and the relevant Dealer(s). For the avoidance of doubt, the Initial Issue Date, Second Issue Date, Third Issue

	Date, Fourth Issue Date, Fifth Issue Date, Sixth Issue Date and the Seventh Issue Date are for informational purposes only. The Bonds currently in issue and their details are set out in the table on page 202.
Issuance in Series	Bonds issued on the same date will comprise a series (each a "**Series**"). Each Series comprises or may comprise one or more non-fungible classes (each a "**Class**") or sub-classes (each a "**Sub-Class**"). The Bonds are or will be divided into five Classes, respectively, the "**Class A Bonds**", the "**Class B Bonds**", the "**Class R Bonds**", the "**Class C Bonds**" and the "**Class D Bonds**". The Issuer may make further issues on identical terms to an existing Sub-Class in all respects (or in all respects save for the issue date, interest commencement date and/or issue price). Such further issue will be fungible with the earlier issue. The specific terms of each Sub-Class of Bonds have been or will be set out in the applicable Final Terms.
Status and Ranking	The Bonds in issue constitute, and any further bonds issued under the Programme will constitute, direct, secured and unconditional obligations of the Issuer. Each Sub-Class of Bonds in issue ranks, and any further Sub-Class of Bonds issued under the Programme will rank, *pari passu* without preference or priority in point of security amongst all other Sub-Classes of Bonds. The Bonds represent the right of the holders of such Bonds to receive interest and principal payments from (a) the Issuer in accordance with the Conditions (as defined below) and the amended and restated trust deed dated 20 December 2017, as further amended and/or varied from time to time (the "**Trust Deed**") entered into by the Issuer, the Bond Trustee and Assured Guaranty (Europe) plc, in connection with the Programme and (b) in the case of the Class A Bonds only, from the relevant Financial Guarantor (as defined below) in certain circumstances in accordance with the relevant Financial Guarantee. The Class A Bonds and Class B Bonds in issue (each of whatever Sub-Class) rank, and any further Class A Bonds, Class B Bonds and Class R Bonds (each of whatever Sub-Class) issued under the Programme will rank, *pari passu* with respect to payments of interest. However, only the Class A Bonds have the benefit of the relevant Financial Guarantee. All claims in respect of the Class A Bonds and Class B Bonds in issue (each of whatever Sub-Class) rank, and any further Class A Bonds, Class B Bonds and Class R Bonds (each of whatever Sub-Class) issued under the Programme will rank in priority to payments of interest due on all Sub-Classes of the Class C Bonds and Class D Bonds (other than any Subordinated Coupon Amounts) and the Class C Bonds in issue (of whatever Sub-Class) rank, and any further Class C Bonds issued under

	the Programme will rank, in priority to payments of interest due on all Sub-Classes of the Class D Bonds (other than any Subordinated Coupon Amounts). As at the date of this Prospectus, (i) there are no Class R Bonds outstanding and the Issuer is not intending to issue Class R Bonds, and (ii) there are no Class C Bonds nor any Class D Bonds outstanding, although the Issuer may still issue subordinated Class C or Class D Bonds in the future should it choose to do so. The Class A Bonds and Class B Bonds in issue (each of whatever Sub-Class) rank, and any further Class A Bonds, Class B Bonds and Class R Bonds (each of whatever Sub-Class) issued under the Programme will rank, *pari passu* with respect to repayment of principal. However, only Class A Bonds have the benefit of the relevant Financial Guarantee. All claims in respect of the Class A Bonds and Class B Bonds in issue (each of whatever Sub-Class) rank, and any further Class A Bonds, Class B Bonds and Class R Bonds (each of whatever Sub-Class) issued under the Programme will rank in priority to repayments of principal due on all Sub-Classes of the Class C Bonds and Class D Bonds and the Class C Bonds in issue (of whatever Sub-Class) rank, and any further Class C Bonds (of whatever Sub-Class) issued under the Programme will rank in priority to payments of principal due on all Sub-Classes of Class D Bonds.
Form of Bonds	The Bonds in issue have been issued under the Programme in bearer form. Further Bonds issued under the Programme will be issued in bearer and/or in registered form. Further Bonds issued in registered form will not be exchangeable for Bonds in bearer form.
Bearer Bonds	Each Sub-Class of Bonds issued or to be issued under the Programme in bearer form have been or will initially be in the form of a Temporary Global Bond or a Permanent Global Bond (each a "**Global Bond**") in each case as specified in the relevant Final Terms. Each Global Bond has been or will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, SA ("**Clearstream, Luxembourg**") and/or any other relevant clearing system. Each Temporary Global Bond has been or will be exchangeable for a Permanent Global Bond or, if so specified in the relevant Final Terms, for definitive Bonds in bearer form ("**Definitive Bonds**") with (if the Bonds bear interest) interest coupons ("**Coupons**") and (if applicable) talons for further Coupons ("**Talons**") attached. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership is a condition precedent to any exchange of an interest in a Temporary Global Bond or receipt of any payment of interest in respect of a Temporary Global Bond. A Permanent Global Bond has been or will be exchanged for Definitive Bonds with (if the Bonds bear interest) Coupons and

	(if applicable) Talons attached in the circumstances specified in the Permanent Global Bond. See Chapter 7 *"Terms and Conditions of the Bonds"* under *"Provisions Relating to the Bonds while in Global Form"*.
Registered Bonds	For each Sub-Class of Bonds to be issued in registered form, the Issuer will deliver a global bond certificate (a "**Regulation S Global Registered Bond Certificate**") to a depositary or common depositary for Euroclear and/or Clearstream, Luxembourg. Regulation S Global Registered Bond Certificates will be exchangeable only for definitive registered bond certificates ("**Definitive Registered Bond Certificates**") and only in the limited circumstances specified in the relevant Regulation S Global Registered Bond Certificate and as specified in the relevant Final Terms. All such Definitive Registered Bond Certificates will have, if the principal thereof is repayable by instalments, endorsed thereon a grid for recording the repayment of principal.
Currency	Subject to compliance with all relevant laws, regulations and directives, any currency, as specified in the relevant Final Terms.
Security	The Bonds are secured pursuant to a deed of charge (the "**Issuer Deed of Charge**") (a) by first ranking security interests in favour of the Issuer Security Trustee over, *inter alia*, (i) the Issuer's interest in and to the DCC security trust and intercreditor deed (the "**DCC STID**"), (ii) the Issuer's rights under each Issuer Transaction Document (as defined below) with certain exceptions, (iii) the Issuer's Accounts (as defined below) and (iv) certain investments to be made from time to time by, or on behalf of, the Issuer and (b) by a first floating charge in favour of the Issuer Security Trustee over all the assets and undertaking of the Issuer, in each case excluding all monies constituting the issued share capital of the Issuer not otherwise utilised by the Issuer from time to time and the corporate benefits fee of £1,000 payable by DCC to the Issuer (such fixed and floating security, together, the "**Issuer Security**"). The Issuer Security is held by the Issuer Security Trustee on trust for the Issuer Secured Creditors (as defined below) under the terms of the Issuer Deed of Charge and subject to the terms of the Issuer STID (as defined below).
Intercreditor Arrangements	The Issuer Secured Creditors are each party to the Issuer STID, pursuant to which they have agreed that certain decisions in respect of the Issuer and the Issuer Security will be made by the Issuer Instructing Group (as defined below). Intercreditor arrangements are also in place among the DCC Secured Creditors (as defined below). See Chapter 6 "*Financing Structure*" under "*Summary of Inter-creditor Arrangements*".
Status of Financial Guarantees	Each financial guarantee insurance policy (each a "**Financial Guarantee**") issued in favour of the Bond Trustee in relation to each Sub-Class of Class A Bonds is an unsubordinated and

	unsecured obligation of the relevant Financial Guarantor, save for certain mandatory exceptions provided by law, pursuant to which the relevant Financial Guarantor unconditionally and irrevocably guarantees the timely payment of interest and principal (other than any accelerated or additional amounts or any Subordinated Coupon Amounts) on the relevant issued Sub-Class of Class A Bonds. For the avoidance of doubt, none of the Class B Bonds, Class C Bonds, Class D Bonds or Class R Bonds shall benefit from a Financial Guarantee.
Counter-Indemnity	The Issuer is, pursuant to the terms of an insurance and indemnity agreement with the Initial Financial Guarantor and pursuant to a guarantee and reimbursement agreement with Assured Guaranty, obliged, *inter alia*, to reimburse the relevant Financial Guarantor in respect of payments made by it under the relevant Financial Guarantee or Financial Guarantees. Each such Financial Guarantor is or will be subrogated to the rights of the relevant Class A Bondholders against the Issuer in respect of any payments made under such Financial Guarantees.
Issue Price	Bonds may be issued at any price, as specified in the relevant Final Terms.
Maturities	Subject to compliance with all relevant laws, regulations and directives, Bonds may be issued for any maturity (the "**Expected Maturity Date**"), as specified in the relevant Final Terms.
Redemption	Bonds will be redeemable at par or at such other amount detailed in a formula or otherwise as may be specified in the relevant Final Terms. Financial Guarantees have not guaranteed and will not guarantee the payment of any amounts of principal in excess of the Principal Amount Outstanding (as defined in Condition 6(i)), plus, in the case of Indexed Bonds, amounts in respect of indexation in respect of Class A Bonds.
Optional Redemption	Upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Financial Guarantor(s) and the Bondholders (as defined below), the Issuer may (prior to the relevant Expected Maturity Date) redeem the Bonds in whole or in part (but on a pro rata basis only) on any Interest Payment Date (as defined in Condition 6(i), and, together with any interest payment date under any loan facilities made available to the Issuer, each an "**Issuer Payment Date**"), provided that Floating Rate Bonds may not be redeemed before the date specified in the relevant Final Terms, at the Redemption Amount (as defined in Condition 6(i)) plus accrued but unpaid interest. In respect of Fixed Rate Bonds (as defined below), the Redemption Amount will be an amount equal to the higher of (i) their Principal Amount Outstanding (as defined below) and (ii) an amount calculated in accordance with the formula, as set out in Condition 8(b)(i). In respect of Floating Rate Bonds (as

defined below), the Redemption Amount will be the Principal Amount Outstanding, plus any premium for early redemption in certain years (as specified in the relevant Final Terms), as set out in Condition 8(b)(ii). In respect of Indexed Bonds, the Redemption Amount will be the higher of (i) the Principal Amount Outstanding (plus an amount in respect of indexation) and (ii) an amount calculated in accordance with the formula as set out in Condition 8(b)(iii). In any such case, prior to giving any such notice, the Issuer must certify to the Bond Trustee that it will have the funds, not subject to any interest of any other person, required to redeem the Bonds as aforesaid. There are certain restrictions on the optional redemption of the Class C Bonds (see Condition 8(b)).

Under the terms of the Financial Guarantees, the Financial Guarantors have not guaranteed and will not guarantee any of the amounts payable by the Issuer upon an optional redemption of the Bonds, and their obligations continue to be to pay the Insured Amounts or Guaranteed Amounts (as applicable and as defined in the relevant Financial Guarantee) as they fall due for payment on each Issuer Payment Date. The Financial Guarantors are not and will not be obliged under any circumstances to accelerate payments under the Financial Guarantees. However, if they do so in their absolute discretion, following an acceleration of the Bonds only, they may do so in whole or in part and the amount payable will be the Principal Amount Outstanding (or, in the case of partial redemption, the pro rata amount that has become due and payable) of such Bonds, plus (i) in the case of Fixed Rate Bonds or Floating Rate Bonds, any accrued but unpaid interest (other than any Subordinated Coupon Amounts) and (ii) in the case of Indexed Bonds, an amount in respect of indexation and any accrued but unpaid interest (other than any Subordinated Coupon Amounts).

Redemption for Index Event, Taxation or Other Reasons

Upon the occurrence of certain index events, the Issuer may redeem the Indexed Bonds at their Principal Amount Outstanding together with accrued but unpaid interest and amounts in respect of indexation. No single Sub-Class of Indexed Bonds may be redeemed in these circumstances unless all the other Sub-Classes of Indexed Bonds are also redeemed at the same time.

In addition, in the event of the Issuer becoming obliged to make any deduction or withholding from payments in respect of the Bonds (although the Issuer will not be obliged to pay any additional amounts in respect of such deduction or withholding) the Issuer may (i) use its reasonable endeavours to arrange for the substitution of another company in an alternative jurisdiction (subject to certain conditions as set out in Condition 8(c) of the Bonds) and, failing this; (ii) redeem (subject to certain conditions as set out in Condition 8(c) of the Bonds) all (but not some only) of the Bonds at their Principal Amount

	Outstanding (plus, in the case of Indexed Bonds, amounts in respect of indexation) together with accrued but unpaid interest. No single Class or Sub-Class of Bonds may be redeemed in these circumstances unless all the other Classes and Sub-Classes of Bonds are also redeemed in full at the same time. In the event of DCC electing to prepay an advance (in whole or in part) under an Intercompany Loan Agreement following, *inter alia*, (i) DCC exercising its option to make such prepayment or (ii) DCC becoming obliged to make any deduction or withholding from payments under the relevant Intercompany Loan Agreement, the Issuer shall be obliged to redeem all or the relevant part of the corresponding Sub-Class of Bonds, the proceeds of which were used by the Issuer to fund the making of the advance being prepaid. The Financial Guarantors have not guaranteed and will not guarantee any of the amounts payable by the Issuer upon an early redemption and their obligations will continue to be to pay the Insured Amounts or Guaranteed Amounts (as applicable and as defined in the relevant Financial Guarantee) as they fall due for payment on each Issuer Payment Date. The Financial Guarantors are not and will not be obliged under any circumstances to accelerate payments under the Financial Guarantees.
Redemption by Instalments	The relevant Final Terms may provide that a Sub-Class of Bonds may be redeemed in two or more instalments in such amounts and on such dates and on such other terms as may be specified therein.
Interest	Bonds are or will, unless otherwise specified in the relevant Final Terms, be interest bearing. Interest does or will accrue at a fixed or floating rate (plus, in the case of Indexed Bonds, amounts in respect of indexation) and is or will be payable in arrear, as specified in the relevant Final Terms, or on such other basis and at such rate as may be so specified.
Fixed Rate Bonds	Fixed Rate Bonds do or will bear interest at a fixed rate, and interest for such Sub-Class is or will be payable on such date(s) and at such rate(s) as agreed between the Issuer and the Dealers (as specified in the relevant Final Terms).
Floating Rate Bonds	Floating Rate Bonds do or will bear interest at a rate set separately for each Sub-Class as may be specified in the relevant Final Terms either on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service or on the basis of quotations from reference banks or on such other basis as may be agreed between the Issuer and the Dealers and as adjusted for any applicable Margin (as defined in Condition 6(i)) (as specified in the relevant Final Terms).
Indexed Bonds	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Indexed Bonds

	(including Limited Indexed Bonds as defined in Condition 7(a)) may be calculated (with or without maximum and/or minimum limits on the amount of indexation) by reference to the UK RPI, CPI, CPIH or such other index and/or formula as the Issuer and the Dealers may agree (as specified in the relevant Final Terms).
Interest Payment Dates	Interest in respect of Fixed Rate Bonds is or will be payable annually or semi-annually in arrear, in respect of Floating Rate Bonds is or will be payable quarterly in arrear and in respect of Indexed Bonds is or will be payable semi-annually in arrear (in each case, or as otherwise specified in the relevant Final Terms).
Hedging	The Issuer is required to enter into hedging transactions in accordance with an agreed hedging policy. (See Chapter 6 "*Financing Structure*" under "*Additional Resources Available*".)
Denominations	Definitive Bonds issued after the date of this Prospectus will be in such denominations as may be specified in the relevant Final Terms, save that in the case of any Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Bonds).
Authorised Loan Facilities	Subject to certain conditions being met, the Issuer and/or DCC are permitted to incur indebtedness under authorised loan facilities (each an "**Authorised Loan Facility**") with an Authorised Lender (as defined below), providing revolving working capital and capital expenditure facilities. Authorised Loan Facilities available to DCC will be subject to a cap of £50,000,000 (as indexed) provided that the drawings by DCC from time to time under its Authorised Loan Facilities and the Overdraft Facility (as defined below) do not in the aggregate exceed £50,000,000 (as indexed). As at 31 July 2019, the indexed value of the cap was £83,000,000, enabling DCC to maintain the (unutilised) Overdraft Facility and an Authorised Loan Facility with KfW IPEX-Bank GmbH. Further lending to DCC, in the form of Finance Leases and Authorised Loan Facilities from the European Investment Bank, which sits outside the indexed cap, has been specifically approved on a case-by-case basis by the relevant majority of the Secured Creditors and the DCC Security Trustee by way of a STID Proposal. As at the date of this Prospectus: (i) The European Investment Bank and KfW IPEX-Bank GmbH have each made available Authorised Loan Facilities to DCC: and

(ii) The European Investment Bank, HSBC Bank plc, NatWest Markets Plc, BNP Paribas, London Branch, and Barclays Bank PLC have each made available Authorised Loan Facilities to the Issuer.

(together each lender listed above being a "**Current Authorised Lender**") (See Chapter 6 "*Financing Structure*" under "*Authorised Loan Facilities*" for further details.)

Each Current Authorised Lender has acceded as a party to the Issuer STID or the DCC STID (as the case may be).

Subject to certain conditions being met, the Issuer and/or DCC will be permitted to incur further indebtedness under further Authorised Loan Facilities. Each further Authorised Lender will also accede as a party to the Issuer STID or DCC STID, as the case may be (See Chapter 6 "*Financing Structure*" under *"Summary of Finance Documents*".)

Initial Liquidity Facility

The Initial Liquidity Facility Provider (being The Royal Bank of Scotland plc) made available, on the Initial Issue Date, to the Issuer a revolving 364-day credit facility for the purpose of meeting certain shortfalls in revenues: (i) for the Issuer to meet its obligations to pay interest on the Class A Bonds, Class B Bonds, Class R Bonds and Class C Bonds (subject to certain limits in respect of the Class C Bonds) issued; (ii) for the Issuer or DCC, as the case may be, to make interest payments under Authorised Loan Facilities; or (iii) for DCC to make notional interest payments under the Finance Leases (see Chapter 6 "*Financing Structure*" under "*Summary of Finance Documents*" - "*Intercompany Loan Agreements*").

The Initial Liquidity Facility Agreement terminated on 13 April 2011 and the Issuer entered into a liquidity facility agreement dated 13 April 2011 with the Further Liquidity Facility Providers (as defined below) on substantially the same terms as the Initial Liquidity Facility Agreement (the "**Second Liquidity Facility Agreement**"). The Second Liquidity Facility Agreement terminated on 2 April 2019.

Further Liquidity Facility

The Issuer entered into a liquidity facility agreement dated 29 March 2019 with each of Assured Guaranty (Europe) plc ("**AGE**") and Assured Guaranty Municipal Corp. ("**AGM**") (each, an "**AG Liquidity Facility Agreement**") pursuant to which AGE and AGM agreed to unconditionally and irrevocably guarantee to DCC during the term of the facility their relevant proportion (being 15 per cent. by AGE (the "**AGE Proportion**") and 85 per cent. by AGM (the "**AGM Proportion**")) of the relevant Shortfall Amount. AGM has also agreed to provide a guarantee in favour of DCC of the AGE Proportion to the extent that AGE fails to pay the AGE Proportion when due.

A revolving liquidity facility agreement made available to the Issuer by one or more banks or financial institutions (including AGE and AGM pursuant to the AG Liquidity Facility

	Agreements) (which may or may not be the Further Liquidity Facility Providers, and together with the Further Liquidity Facility Providers, each a "**Liquidity Facility Provider**") other than the Initial Liquidity Facility Agreement, the Second Liquidity Facility Agreement or the AG Liquidity Facility Agreements.
Taxation	Payments in respect of Bonds or under the relevant Financial Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatever nature, unless and save to the extent that the withholding or deduction of such taxes, duties or charges is required by applicable law (see Chapter 8 "*Tax Considerations*"). In that event and to that extent, the Issuer and, to the extent there is a claim under the relevant Financial Guarantee, the relevant Financial Guarantor will make payments subject to the appropriate withholding or deduction. No additional amounts will be paid by the Issuer or, to the extent there is a claim under the relevant Financial Guarantee, by the relevant Financial Guarantor in respect of any withholdings or deductions.
Investor information	DCC is required to produce an investors' report (the "**Investors' Report**") within 90 days of 31 March, 60 days of 30 September and within 45 days of each 30 June and 31 December (each a "**quarter-end**" and each period from but not including a quarter-end to and including the next quarter-end, a "**quarter**"). Such Investors' Report includes, *inter alia*: (i) a general overview of DCC for the previous quarter; (ii) a consolidated cashflow statement of the Glas Group (as defined below); (iii) a statement of consolidated debt service payments of the Glas Group; (iv) a principal reconciliation for the Bonds in issue and other indebtedness of the Glas Group; (v) a reconciliation of movements in the bank accounts of the Glas Group; (vi) the calculations of ICR and RAR (each as defined below) for the then current financial year and forecast to the end of the then current price determination period; (vii) an unaudited consolidated profit and loss account of the Glas Group for the quarter then ended; and (viii) an unaudited consolidated balance sheet as at the end of the then current quarter. Each such Investors' Report is required to be made available by DCC to the DCC Secured Creditors and Issuer Secured Creditors (both defined below), including the Bondholders. DCC will also be required to make available unaudited interim accounts and audited annual accounts, within 90 days of 30 September and 180 days of 31 March, respectively. DCC also places certain additional information on Dŵr Cymru Welsh Water's website (http://www.dwrcymru.com/), as and when available. This includes, *inter alia*, the most recently published: (i) Annual Performance Report– Summary Report setting out a summary of DCC's annual performance; (ii) DCC's annual

	charges scheme, with details of tariffs; (iii) summary of DCC's strategic business plan at each periodic review; (iv) DCC's current procurement plan; (v) DCC's annual drinking water quality report; (vi) DCC's annual environment report; (vii) DCC's annual conservation and access report; and (viii) audited annual accounts and unaudited interim accounts of the Glas Group (as defined below) on a consolidated basis. (See Chapter 7 "*Terms and Conditions of the Bonds*".)
Governing Law	The Bonds, all Issuer Transaction Documents and DCC Transaction Documents (each as defined below) and all non-contractual obligations arising out of or in connection therewith are governed by, and construed in accordance with, the laws of England and Wales.
Listing and admission to trading	The Bonds issued on the Initial Issue Date, the Second Issue Date, the Third Issue Date, the Fourth Issue Date, the Fifth Issue Date, the Sixth Issue Date and the Seventh Issue Date under the Programme have been admitted to Official List of the Luxembourg Stock Exchange and have been admitted to trading on the Luxembourg Stock Exchange Regulated Market and an application will be made to list any future Bonds issued under the Programme on the Official List of the Luxembourg Stock Exchange and to admit them to trading on the Luxembourg Stock Exchange Regulated Market. For the avoidance of doubt, any reference to Bonds being "**listed**" shall mean that such Bonds have been admitted to the Official List of the Luxembourg Stock Exchange and have been admitted to trading on the Luxembourg Stock Exchange Regulated Market. For the avoidance of doubt, the Initial Issue Date, Second Issue Date, Third Issue Date, Fourth Issue Date, Fifth Issue Date, Sixth Issue Date and the Seventh Issue Date and the Bonds listed on such Issue Dates are for informational purposes only.
Terms and Conditions	A Final Terms will be prepared in respect of each Sub Class of Bonds including further fungible issues of an existing Sub-Class. A copy of the Final Terms has been or will be delivered to the Luxembourg Stock Exchange on or before the Issue Date of such Bonds. The terms and conditions (the "**Conditions**") applicable to each such Sub-Class are those set out in Chapter 7 "*Terms and Conditions of the Bonds*", as amended, supplemented, varied or replaced by the relevant Final Terms.
Clearing Systems	Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as may be agreed between the Issuer and the relevant Dealers (as specified in the relevant Final Terms).
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Bonds and on the distribution of offering material in relation to the Bonds, see Chapter 10 "*Subscription and Sale*".

CHAPTER 2
RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds issued under the Programme. All of these factors are contingencies which may or may not occur.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Bonds issued under the Programme are also described below. The occurrence of certain events below could lead to, amongst other things:

(i) *a DCC Event of Default under an Intercompany Loan Agreement (as defined below);*

(ii) *an Issuer Event of Default under the Bonds or acceleration of the Bonds (as defined below);*

(iii) *non-payment in respect of the Class B Bonds, Class R Bonds, Class C Bonds or Class D Bonds;*

(iv) *non-payment in respect of the Class A Bonds if, additionally, the relevant Financial Guarantor were to default on its obligations under any Financial Guarantee; and*

(v) *non-payment in respect of unguaranteed amounts under the Class A Bonds.*

The Issuer believes that the factors described below represent the principal risks inherent in investing in Bonds issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Bonds are exhaustive and prospective Bondholders should read the detailed information set out elsewhere in this document prior to making any investment decision. Further, any prospective Bondholder should take their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of their investment.

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

Defined terms have the meanings given elsewhere in this Prospectus.

In this Prospectus, any operational performance figures that are financial measures and are not disclosed in the financial statements incorporated by reference herein will need to be disclosed as alternative performance measures. Unless specifically disclosed as such, in the Issuer's and DCC's view, no operational performance figures provided herein are financial measures and as such are not alternative performance measures.

1 Risks relating to DCC and its business

See Chapter 5 "*Water Regulation*"

The water industry is subject to extensive legal and regulatory controls, and DCC must comply with all applicable laws, licence obligations, regulations and regulatory standards. The application of these laws, licence obligations, regulations and regulatory standards and the policies of the Water Services Regulation Authority (the "**WSRA**") could have a material adverse effect on the operations and financial condition of DCC.

The WSRA is the successor to the Director General of Water Services ("**DGWS**") and is also commonly referred to as "**Ofwat**" (see Chapter 5 "*Water Regulation*" under "*Regulatory Framework*" and "*The WSRA and the Secretary of State*"). The WSRA has a duty to exercise its powers in accordance with the provisions of the UK Water Industry Act 1991 (the "**WIA**") which itself has been substantially amended by the Water Industry Act 1999, the Water Act 2003, the Flood and Water Management Act 2010, the Water Act 2014, the Wales Act 2017 and to a lesser extent various other statutory provisions. This

includes a duty to ensure that an efficient company is able to finance appropriately the carrying out of its functions. As with any Undertaker (as defined below), no assurance can be given that the laws, licence obligations, regulations, regulatory standards or policies will not change in a manner that could adversely affect the operations of DCC.

The revenues generated by DCC from its water and sewerage business may not be sufficient to enable it to make full and timely payment of amounts due under, *inter alia*, the Intercompany Loan Agreements. The regulatory, legislative and political risks which could adversely affect the revenues of DCC, as well as other potential events which could result in DCC having insufficient revenues to meet its financing obligations include:

Regulatory Risks

1.1 Termination of the Appointment

See Chapter 5 "*Water Regulation*" under "*Variation and Termination of an Appointment*" and "*Special Administration Orders*".

Under Condition O of DCC's Instrument of Appointment, DCC's appointment (the "**Appointment**") may be terminated following the giving of notice by the Welsh Ministers of at least 25 years.

DCC's Appointment may also be transferred from DCC at any time following the making of a special administration order. See Chapter 5 "*Water Regulation*" under "Spe*cial Administration Orders*" for further details on the circumstances under which the WSRA or the Welsh Ministers may make a Special Administration Order.

1.2 Financial Penalties

See Chapter 5 "*Water Regulation*" under "*Enforcement Orders*", "*Measures of Success and Outcome Delivery Incentives*", and "*PR19 Draft Determination*".

The WIA provides the WSRA, the Secretary of State for the Environment, Food and Rural Affairs (the "**Secretary of State**") and the National Assembly for Wales with the power to impose financial penalties on an Undertaker for contraventions of its Conditions of Appointment (as defined below) and statutory or other requirements, including performance standards. Penalties may be as high as 10 per cent. of an Undertaker's turnover, but they must be reasonable in light of the circumstances of each case. Each of the above enforcement authorities is required to publish a statement of policy on the imposition of penalties, and to have regard to that statement when implementing the new provisions.

In addition, under the WSRA's current approach to price controls, DCC may be subject to financial penalties if performance on certain measures falls short of targets. The WSRA's draft proposals for price controls for 2020-25 include potential financial penalties that could exceed £50 million.

1.3 Modifications of Conditions of Appointment

See Chapter 5 "*Water Regulation*" under "*Variation and Termination of an Appointment*".

DCC operates in accordance with its Instrument of Appointment.

Under the WIA, the conditions of DCC's Appointment as an Undertaker (as defined below) may be modified by the WSRA with the consent of DCC. If the WSRA and DCC cannot agree to the modifications, the conditions may be modified by the WSRA without the consent of DCC following a referral of the proposed modifications to the Competition and Markets Authority

("**CMA**"). Modifications could also result from a decision on a merger or market investigation reference by the CMA.

The Welsh Government (the "**Welsh Government**") (previously known as the Welsh Assembly Government) has the power to veto certain proposed modifications agreed by the WSRA and DCC and other proposed modifications which have been agreed by the WSRA and DCC may be referred by it for consideration by the CMA.

The area of appointment of DCC can also be varied following an application by a third party for a so-called "**inset**" appointment in relation to a previously unserved development or large site.

1.4 Regulatory Changes to Increase Competition in the Water Industry

See Chapter 5 "*Water Regulation*" under "*The Water Supply Licensing Regime*" and "*Competition in the Water Industry*".

On 1 December 2005 provisions came into effect intended to create a new framework for competition in water supply for non-household customers, under which new water supply licences can be obtained by entrants wishing to use Undertakers' common carriage to transport water to customers (see Chapter 5 "*Water Regulation*" under "*The Water Supply Licensing Regime*" for further details on common carriage) or wishing to purchase wholesale water from Undertakers to "retail" to customers. The framework also now includes a requirement on Undertakers to charge entrants for common carriage and wholesale services in accordance with rules which are to be made by the WSRA in accordance with guidance from the Welsh Government. DCC may lose customers to new market entrants and suffer reductions in revenue as a result. The new market is currently limited in DCC's area to customers using in excess of 50 megalitres of water per annum. DCC estimates that it has approximately 116 sites which use more than 50 megalitres of water per annum and are therefore eligible to choose their retailer for the supply of water. These 116 sites are occupied by 104 different customers, which generated £25 million of revenues for the financial year ending 31 March 2019, which represents 3 per cent. of DCC's overall revenue. Of these customer/sites, to date three customers (five sites) have chosen a different retailer for their supply of water but all have the right to choose in the future.

The 2014 Water Act modified the WIA so as to extend the scope of the water supply licensing regime in the areas of Undertakers that are wholly or mainly in England. As a result, since 1 April 2017 all non-household customers have been able to switch their retail supplier for both water supply and wastewater services. The legislation gives the Welsh Government the power to commence in the areas of Undertakers that are wholly in Wales the wider provisions for retail competition that are already in effect for Undertakers whose areas are wholly or mainly in England. The Welsh Government has to date indicated that it has no intention of putting this more extensive regime in place.

The Wales Act 2017 removes the jurisdiction of the Welsh Government over parts of DCC's supply area in England. As a result, from a future date yet to be determined (but likely to be 2022 or later), it is anticipated that around 13,000 non-household sites in the English parts of DCC's supply area will become eligible to choose their retail supplier, not just for water supply but for wastewater as well. Preparations to put in place the processes and systems that will be necessary in order to give effect to this change are already underway.

1.5 Competition Act 1998 and Enterprise Act 2002

The UK Competition Act 1998 (the "**Competition Act**") contains prohibitions relating to anti-competitive agreements and conduct and powers of investigation and enforcement (see Chapter 5 "Water Regulation" under "Competition in the Water Industry"). These powers include powers

for the WSRA to enforce directions bringing an infringement to an end and to impose fines of up to 10 per cent. of the relevant Undertaker's most recent financial year's turnover.

The Enterprise Act 2002 (the "**Enterprise Act**") adds further remedies for breach of competition law. The Enterprise Act contains criminal sanctions, including the possibility of imprisonment of individuals who have been involved in certain cartels and disqualification for directors involved in breach of competition laws. Consumer groups are now able to bring actions on behalf of customers (including for damages).

1.6 Price Reviews

See Chapter 4 "*DCC, the Issuer, the Glas Group and Glas Holdings"* and Chapter 5 "*Water Regulation*" under "*Economic Regulation*".

Periodic reviews of price controls are generally carried out at five-yearly intervals by the WSRA. There is no assurance that price controls will generate sufficient revenues to enable DCC to carry out its functions. Although the methodology introduced in the 1994 review – in particular the derivation of the "regulatory capital value" as the measure of capital to be remunerated – was also applied with modifications in the 1999, 2004, 2009 and 2014 reviews, there are no requirements on the WSRA to apply the same or a similar methodology in future reviews.

To arrive at their conclusions, the WSRA makes estimates of the scope for operating and capital cost efficiencies using a wide range of comparative techniques. Judgements are also applied in estimating the sector cost of capital and in determining whether or not to make allowance for some or all of the "embedded" costs of fixed rate debt.

If an Undertaker disputes the WSRA's price determination, it can require the WSRA to refer it to the CMA.

As described in Chapter 5 "*Water Regulation*" under "*Interim Determinations of Price Controls*", Interim Determinations (as defined below) may be made between periodic reviews in specified circumstances set out in DCC's Conditions of Appointment (as defined below). In contrast to periodic reviews, the methodology to be applied for Interim Determinations is set out in detail in DCC's Conditions of Appointment and the scope for discretion is narrower. There can, however, be no assurance that if an adjustment is made it will provide adequate revenue compensation to DCC.

As part of implementing the Glas Group whole business securitisation structure in 2001, the Glas Group raised the majority of its financing in the bond market. Pricing for these bonds, which was competitive at that time, resulted in a large proportion (approximately 42 per cent.) of the debt being raised at a fixed rate. Consequently, the Glas Group currently has a higher level of embedded debt costs than most other Undertakers operating in the UK.

The WSRA has stated that it will assess the cost of debt at future price reviews on the basis of a hypothetical efficiently-financed company. According to the WSRA, such a company would be one that retains the flexibility to respond to changing market conditions, and holds a balanced portfolio of debt. There is no guarantee, therefore, that in the current (or subsequent) price review process, allowance would be made for the costs of then existing fixed rate debt if current forward-looking rates at the time were lower. However, the WSRA has also stated that it will use the same weighted average cost of capital to determine allowable returns for DCC as is applied to the rest of the sector. Any unfunded costs associated with fixed rate debt would therefore be offset to a greater or lesser extent by the fact that DCC's allowable return would include the assumed cost of equity applied to that portion of its regulatory asset value on which its financing costs are effectively zero by virtue of the fact that it has no shareholders.

1.7 Operation and Capital Cost Considerations

See Chapter 5 "*Water Regulation*" under "*Economic Regulation*".

The price controls determined by the WSRA are based on assessments of total expenditure ("**Totex**") requirements (i.e the sum of operating expenditure and capital expenditure). The Totex assessment is ultimately a judgement that has to be made by the WSRA and there is therefore no guarantee that DCC will be able to operate or complete its capital programme and meet the required performance targets within the costs allowed by the WSRA. In the Draft Determination (**"DD")** for the forthcoming price control period (2020-2025) the WSRA assessed DCC's operating and capital costs at 16% below the levels proposed by the company in its business plan submission, and set a number of performance targets at levels that are more stretching than those proposed by the company. DCC has made representations to the effect that this reduction is excessive. Specific examples of cost challenges include expenditure to fund capital projects designed to enhance service and environmental performance and improve resilience. In addition, the retail price controls are not indexed, so DCC has to manage the effects of input cost inflation.

1.8 Indexation and Deflation Risk

See Chapter 5 "*Water Regulation*" under "*Economic Regulation - PR19 Draft Determination*".

The WSRA decided to move away from RPI in price controls from 1 April 2020 and to adopt the CPIH measure instead.

A high proportion of DCC's outstanding debt is linked to RPI. The mismatch following the change to CPIH and the full transition to that measure which is anticipated could lead to DCC not having sufficient resources to make payments of interest and principal in particular on these instruments which are linked to RPI. In addition, the transition to CPIH could have financial risks for DCC in terms of RCV and revenue growth.

In addition, since a significant portion of DCC's outstanding debt is not index-linked, a prolonged period of CPIH deflation could therefore reduce the cash flows available to DCC to meet its obligations under its Bonds, and lead to an increase in gearing.

Political, Policy and Other Legislative Risks

1.9 Renationalisation

See Chapter 4 "*DCC, the Issuer, the Glas Group and Glas Holdings*" under "*DCC – Political and Other Developments*".

During the course of the 2017 UK General Election campaign, the Labour Party indicated that if elected it would bring the delivery of water and wastewater services in England back into public ownership. At the most recent Labour Party conference (September 2019) it was reported that legislation has already been drafted to achieve this. It was previously reported that this plan did not extend to the delivery of such services in Wales. However, if elected in the future, there can be no guarantee that a Labour government would not seek to re-nationalise DCC, which could adversely affect the servicing and repayment of the interest and principal due on the Bonds and might have implications for the continued inclusion in DCC's Licence of those parts of DCC's supply area situated in England.

1.10 The UK's exit from the European Union (EU)

See Chapter 4 "*DCC, the Issuer, the Glas Group and Glas Holdings*" under "*DCC – Political and Other Developments*".

On 23 June 2016, the UK held a referendum to decide on the UK's membership of the EU. The UK vote was to leave the EU. There are a number of uncertainties in connection with the future of the UK and its relationship with the EU. Until the terms and timing of the UK's exit from the EU are agreed and the future relationship between the UK and member states becomes established, it is not possible to determine the impact that the referendum, the UK's departure from the EU and/or any related matters may have on the business of DCC or the regulatory framework applicable to it. No assurance can be given that such matters would not adversely affect the business of DCC (including the ability of DCC's customers to pay their bills which could have a negative impact on DCC's bad debt charge) and/or the market value and/or the liquidity of the Bonds in the secondary market.

In addition, historically DCC has accessed funding from Europe-based investors and institutions, including, by way of example, the European Investment Bank. In light of the United Kingdom's potential exit from the EU, DCC may find it more difficult to access funding from such investors and institutions in the future, which could have a negative impact on DCC's ability to fund its activities and on the cost of that funding.

1.11 Corporation Tax

There is a risk that change in tax law or practice may give rise to an increase in corporation tax liabilities in AMP7 which is not funded through the price controls determined by the WSRA pursuant to the Conditions of Appointment. However, DCC has significant capital allowances pools, together with future capital allowances which are expected to become available as DCC incurs future capital expenditure, and therefore does not currently foresee paying corporation tax on trading profits in AMP7, subject to a change in tax law or practice.

Financing Risks

1.12 Operating and Capital Cost Consideration

See Chapter 5 "*Water Regulation*" under "*Economic Regulation*"

Operating and capital costs are subject to a number of operating and environmental risks. In particular:

(a) DCC is at risk from the effects of extreme weather events, with prolonged periods of rainfall, excessively low temperatures or drought all potentially having a significant impact on service or supply capabilities;

(b) Catastrophic events such as dam bursts, fires, earthquakes, floods, droughts, terrorist attacks, diseases, plant failure or other similar events could result in personal injury, loss of life, pollution or environmental damage, severe damage or destruction of DCC's water or sewage treatment works, pumping stations, water mains, sewers or service pipes. Any resulting suspension of operations of DCC could have a material adverse effect on the ability of DCC to meet its financing obligations. Although the Common Terms Agreement requires DCC to maintain insurance (including business interruption insurance) to protect against certain of these risks, the proceeds of such insurance may not be adequate to cover reduced revenues, increased expenses or other losses or liabilities arising from the occurrence of any of the events described above. Moreover, there can be no assurance that such insurance coverage will be available in the future at commercially reasonable rates; and

(c) The increased use of online communications and information technology systems within DCC requires enhanced protection of both internal and customer information from unauthorised disclosure and improper use, especially as the sophistication of hackers continues to increase resulting in an increased risk of cyber attack. Any failure to adequately protect DCC's

information technology systems or any failure of DCC's systems in respect of the security, governance and control of internal and customer information may lead to increased costs of operation, reputational damage, regulatory penalties and civil damages (including as a result of losses of sensitive information or breaches of the Data Protection Act 2018 or the General Data Protection Regulation (Regulation (EU) 2016/679)).

Operational Risks

1.13 Environmental Considerations

See Chapter 5 "*Water Regulation*" under "*Water Regulation Generally*".

DCC's water supply and sewerage operations are subject to a number of EU and UK laws and regulations relating to the protection of the environment and human health. DCC is also subject to the requirements of health and safety legislation with responsibility for both DCC employees and others.

Whilst DCC believes that it is in material compliance with all such laws and regulations as currently interpreted, there can be no assurance that it will not in future incur significant costs to comply with upgrading requirements imposed under existing or future laws and regulations. Although the costs of such changes in legal requirements are eligible for the purposes of the Interim Determination provisions, subject to a materiality threshold, there can be no certainty as to how and whether future laws and regulation will impact the business of DCC and/or the interests of the Bondholders.

Given the nature of DCC's operations there is a risk that pollution incidents, drinking water problems or health and safety issues may occur, the possible consequences of which may be criminal prosecution leading to the imposition of penalties on DCC and/or civil liability in damages to third parties and/or a requirement to clean up any contamination and/or an operational requirement to upgrade plant and equipment. The imposition of penalties, civil liability, clean up costs or upgrade may materially and adversely affect the financial position of DCC. Any such incidents may also give rise to breaches of any operational environmental permits held by DCC. There is also a risk that DCC may incur liability to clean up contamination caused by historical activities at its sites, whether or not DCC caused the contamination in question. The costs of cleaning up contamination of land and/or water may be significant.

DCC has been subject to prosecutions from time to time including, for example, in 2019, a prosecution under the Environmental Permitting (England and Wales) Regulations 2016 (the "**EPR**") and the Salmon and Freshwater Fisheries Act 1975, for causing the entry of poisonous, noxious or polluting matter into the River Lliw, for which DCC was fined £40,000 plus costs. There is also a pending prosecution in relation to a discharge from a burst rising sewage main at Penley, which took place in June 2018. There is no guarantee that DCC will not be subject to similar or other prosecutions in the future.

None of the companies in the Glas Group are currently subject to any litigation which is considered to be material. DCC was notified in 2016 of potential claims under the Environmental Information Regulations ("**EIR**") relating to charges previously levied for drainage and water searches carried out since 2004, which it is claimed should have been provided free of charge. Since 2016, DCC has been contacted on behalf of three groups of personal search companies and the collective indicative quantum notified to date is £5.4 million. DCC has not received substantive contact from the first and second groups since 2016 and 2018, respectively. Group legal action on behalf of the third group was notified formally in September 2019, which it is proposed would take the form of an initial test case brought against two water and sewage companies. The indicative quantum of the claim against DCC notified by this third group to date is £2.8 million. Other personal search companies may be joined to any claim.

Other than this, no companies in the Glas Group have received formal notification of any claims which would be considered to be material.

1.14 Procurement Risk

DCC is subject to the Utilities Contracts Regulations 2016 which require utilities to follow certain procedures when contracts over specified financial thresholds are proposed (currently £363,424 for services and £4,551,413 for works), to guarantee that the contract award procedure is carried out in a transparent and non-discriminatory manner by means of an advertising process in the Official Journal of the European Union and the conduct of a competitive tendering procedure. Non-compliance with such regulations could result in contracts being declared ineffective and DCC becoming liable to damages claims from unsuccessful tenderers, as well as potential disruption and further costs to the operation of DCC's business. DCC mitigates such risk through effective planning, and the use of comprehensive processes and procedures which regulate the conduct of procurement exercises.

2 Legal and financing risks relating to the Issuer

2.1 Ability to provide security

See Chapter 6 "*Financing Structure*" under "*Security*".

DCC's ability to provide security for its obligations (including its obligations to the Issuer under the Intercompany Loan Agreements), and the ability to perfect and enforce such security, are each limited by its Conditions of Appointment, the requirements thereunder and the WIA. The vast majority of DCC's assets by value is tangible property which is protected land and/or required for the operation of DCC's business and therefore cannot be effectively secured. In particular, there is no right to block the appointment of a special administrator equivalent to the right of a holder of a floating charge over the whole or substantially the whole of the business of a non-Undertaker or to block the appointment of an administrator under UK insolvency legislation.

There are also certain legal restrictions which arise under the WIA and the Conditions of Appointment affecting the enforcement of the DCC Security. For example, such enforcement is prohibited unless the person enforcing the security has first given 14 days' notice to the WSRA or the Secretary of State.

Accordingly, the security provided over the assets of DCC to the DCC Secured Creditors, and, therefore, the security available to be secured by the Issuer in favour of the Issuer Secured Creditors in respect of the Issuer's obligations under the Bonds, affords significantly less protection to the DCC Secured Creditors, and hence the Issuer Secured Creditors, than would be the case if DCC were not an Undertaker subject to the WIA and the Conditions of Appointment.

The considerations described above do not apply to the fixed and floating charges comprised in the Guarantor Security. The enforcement of security over the shares in Glas, Glas Securities, Holdings, the Issuer or DCC, would not be subject to the moratorium set out in the WIA nor would it be an event which would itself result in the making of the special administration order. However, it is anticipated that any intended enforcement directly or indirectly of the Guarantor Security or the security over, and subsequently any planned disposal of, the shares in DCC to the extent that such enforcement would amount to a relevant merger situation for the purpose of the Enterprise Act 2002 or a concentration with a European Community dimension for the purposes of the European Merger Regulation, would require consultation with the WSRA and would be reviewable by the CMA or the European Commission. For the avoidance of doubt, the Guarantor Security secures, among others, the obligations and liabilities owed by DCC to the Issuer pursuant to each Intercompany Loan Agreement. Each Intercompany Loan Agreement directly

contributes to the ability of the Issuer to make full and timely payment on the Bonds; and the Guarantor Security acts as credit support for these obligations.

Notice of the creation of the DCC Security has not been given to DCC's customers or to DCC's contractual counterparties in respect of its contracts (other than certain material contracts). In addition, each charge over DCC's land as purported to be granted took effect in equity only. Accordingly, until any such assignment is perfected, registration effected with HM Land Registry in respect of registered land or certain other action is taken in respect of unregistered land, any such assignment or charge may be or become subject to prior equities arising (such as rights of set off).

2.2 Special Administration

See Chapter 5 "*Water Regulation*" under "*Special Administration Orders*" and Chapter 6 "*Financing Structure*".

The WIA contains provisions enabling the Welsh Government and the WSRA to secure the general continuity of water supply by petitioning the Court for the appointment of a special administrator in certain circumstances (for example, including where DCC is unable, or is unlikely to be able, to pay its debts or is in breach of the terms of its legal obligations as an Undertaker.) Under the provisions of the Wales Act 2017, DEFRA may also have the power to petition for the appointment of a special administrator. In addition, in certain circumstances, a petition by a creditor of DCC to the Court for the winding up of DCC might result in the appointment of a special administrator. (See also Chapter 5 "*Water Regulation*" under "*Special Administration Order*" for other circumstances in which a special administrator may be appointed.)

During the period of the special administration order, DCC has to be managed by the special administrator for the purposes of the order and in a manner which protects the interests of members and creditors. Whilst the order is in force, no steps may be taken to enforce any security over DCC's property except with the consent of the special administrator or the leave of the Court. A special administrator would be able to dispose of assets free of any floating charge existing in relation to them. On such a disposal, however, the proceeds would be treated as if subject to a floating charge which has the same priority as that afforded to the original security. A special administrator may not dispose of property which is the subject of a fixed charge without the agreement of the relevant creditor except under an order of the Court. On such a disposal, the disposal proceeds to which the chargee is entitled are determined by reference to "the best price which is reasonably available on a sale which is consistent with the purposes of the special administration order" as opposed to an amount not less than "open market value", which would apply in an administration for a company which is not an Undertaker.

The purposes of a special administration order consist of:

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

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

Because of the statutory purposes of a Special Administration Order, it is not open to a special administrator to accept an offer to purchase the assets on a break-up basis in circumstances where the purchaser would be unable to properly carry out the relevant functions of an Undertaker. The transfer is effected by a transfer scheme which the special administrator puts in place, which may provide for the transfer of the property, rights and liabilities of the existing Undertaker to the new

Undertaker(s) and may also provide for the transfer of the existing Undertaker's Instrument of Appointment (with modifications as set out in the transfer scheme) to the new Undertaker(s).

There can be no assurance that any transfer scheme in the context of a special administration regime could be achieved on terms that would enable creditors to recover amounts due to them in full.

2.3 Enforceability of payment priorities

See Chapter 6 "*Financing Structure*" under "*Issuer Cash Management*".

Following a number of actions (one of which remains stayed) in the U.S., there is uncertainty as to the validity and/or enforceability in the U.S. of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor (so called "flip clauses").

The Issuer Post-Enforcement Payments Priorities contain a flip clause which ensures that the Current Issuer Hedge Counterparties, in the event of their insolvency, will rank behind the Bondholders and the other Issuer Secured Creditors. As of the date of this Prospectus, in relation to the existing Hedging Agreements, there are no Current Issuer Hedge Counterparties which are incorporated in the U.S.

In general, if a subordination provision included in the Finance Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales (where the U.K. Supreme Court has upheld the validity of a flip clause) and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Bondholders, the market value of the Bonds and/or the ability of an Issuer to satisfy its obligations under the Bonds.

2.4 Future financing

See Chapter 6 "*Financing Structure*".

The Issuer will need to raise further debt from time to time in order to finance future capital enhancements to DCC's asset base, to refinance any other debt (including for liquidity or working capital purposes) the terms of which have become inefficient or which have a scheduled partial or final maturity prior to the final maturity of the Bonds and, on each Issuer Payment Date on which principal is required to be repaid, and on the Expected Maturity Date of the relevant Class of Bonds, to refinance the Bonds. Whilst the Issuer STID and other Issuer Transaction Documents contemplate the terms and conditions on, and circumstances under which, such additional debt can be raised, there can be no assurance that the Issuer will be able to raise sufficient funds, or funds at a suitable interest rate, or on suitable terms, at the requisite time such that all amounts then due and payable on the Bonds or any other maturing debt will be capable of being so paid when due. In these circumstances, funds will be applied by the Issuer in accordance with the Issuer Pre-Enforcement Payments Priorities or the Issuer Post-Enforcement Payments Priorities, as the case may be.

Pursuant to the refinancing policy, no more than 20 per cent. of the principal of the total debt of the Glas Group is permitted to fall due within any 24 month period. The Glas Group's maturity profile of debt is such that £2,500,000,000 out of its total debt of £3,374,000,000 falls due for redemption between 2021 and 2031. Although the Glas Group will take prudent steps to manage the refinancing of this debt, there can be no guarantee that suitable market conditions will exist at the time of the refinancings.

2.5 Termination of a hedging agreement

See Chapter 6 "*Financing Structure*" under "*Hedging Agreements*".

The Issuer may be left exposed to interest rate risk or currency risk in the event that there is an early termination of a Hedging Agreement. A Hedging Agreement may be terminated in the circumstances set out in Chapter 6 "*Financing Structure*" under "*Additional Resources Available*" — "*Hedging Agreements*", including where the Hedge Counterparty or the Issuer is respectively required to gross up for payments of tax that have been required to be deducted or withheld by law, which requirement has not been able to be avoided, notwithstanding the Issuer and the Hedge Counterparty having used reasonable endeavours so to do. If a Hedging Agreement is terminated and the Issuer is unable to find a replacement Hedge Counterparty, then the funds available to the Issuer may be insufficient to meet fully its obligations under the Bonds, as a result of making any termination payment to the Hedge Counterparty, which payment will be in accordance with the Issuer Pre-Enforcement Payments Priorities or the Issuer Post-Enforcement Payments Priorities as the case may be. (See Chapter 6 "*Financing Structure*" under "*Issuer Cash Management*".)

2.6 Liquidity facilities

See Chapter 6 "*Financing Structure*" under "*The Liquidity Facilities*".

Each Liquidity Facility Agreement is intended to cover shortfalls of interest on the Class A Bonds, Class B Bonds, Class R Bonds and (subject to certain limits) Class C Bonds, as well as scheduled interest payments on any Authorised Loan Facility and certain notional payments on the Finance Leases that arise on any Issuer Payment Date or DCC Payment Date, as the case may be, and certain payments ranking senior to such amounts. The Liquidity Facilities will not be available to meet any such shortfalls in respect of the Class D Bonds. However, on any such Issuer Payment Date, there are no assurances that any such shortfalls will be met in whole or in part by the Liquidity Facility Agreements, thereby having an effect on the payments to be made, *inter alia*, in respect of the Bonds.

2.7 Corporate structure

See Chapter 4 "*DCC, The Issuer, The Glas Group and Glas Holdings*" under "*The Issuer*" and Chapter 6 "*Financing Structure*".

The Issuer is a special purpose financing entity with no business operations other than the issuance of the Bonds, the lending of the proceeds to DCC under the Intercompany Loan Agreements, the borrowing of loans from Authorised Lenders to the Issuer and the entry into certain ancillary arrangements. Other than the proceeds of the issuance of additional Series of Bonds, facilities available from the Liquidity Facility Providers, loans from the Authorised Lenders and funds available from the Hedge Counterparties, the Issuer's principal source of funds will be pursuant to the Intercompany Loan Agreements and the DCC Security. Therefore, the Issuer is subject to all the risks relating to revenues to which DCC is subject, to the extent that such risks could limit funds available to DCC to enable it to satisfy in full and on a timely basis its obligations under the Intercompany Loan Agreements which, in turn, may have an adverse effect on the ability of the Issuer to make payment under the Bonds.

Similarly, the ability of Bondholders to take certain actions against the Issuer or its assets (e.g. to enforce any of the Issuer Security) is restricted in accordance with the terms of the Issuer STID (see section entitled *"Conflicts of interest between Bondholders"* and Condition 12 (*Recourse Against Issuer)* for further details).

As a company limited by guarantee, Glas Holdings operates on a not-for-shareholder dividend basis. Consequently, it does not have shareholders but, instead, has members who do not receive dividends and, other than their liability to pay £1 on a winding up of the company, have no

financial interest in the company. The lack of financial incentives on the members to ensure efficient management of DCC may mean that, in the absence of shareholders, there may be a risk of insufficient pressure on the management of DCC to perform to the standard expected of for-shareholder dividend companies to some extent. There is no evidence of such concern being realised to date and this risk is further mitigated by measures such as: (i) the terms of the Instrument of Appointment which are, *inter alia*, intended to ensure strict standards of corporate governance; (ii) the performance monitoring regime imposed by the WSRA and, in particular, the use by it of comparative tables of performance in respect of Undertakings; (iii) the board comprising a majority of suitably experienced and independent non-executive directors; (iv) the public adoption by Glas of a member selection policy implemented by an independent member selection panel; (v) remuneration incentives for senior management of DCC linked to the performance of DCC; and (vi) the monitoring of DCC provided under the DCC Transaction Documents.

2.8 Exercise and enforcement of the Issuer's rights under, and consents and waivers in respect of, the DCC Transaction Documents and the Issuer Transaction Documents

See Chapter 6 "*Financing Structure*" under "*Summary of Intercreditor Arrangements*"

The right to instruct the Issuer Security Trustee, *inter alia*, to direct the exercise and enforcement of the Issuer's rights under the DCC Transaction Documents and Issuer Transaction Documents and to give consents and waivers thereunder is restricted to the Issuer Instructing Group. Prior to a Default Situation, broadly, only the Financial Guarantors of Class A Bonds (for so long as there are Class A Bonds outstanding in respect of which no FG Event of Default has occurred in respect of the relevant Financial Guarantor and provided that amounts could still become payable by the Issuer to the relevant Financial Guarantor under the Issuer Transaction Documents) and any facility agent or single lender under an Authorised Loan Facility (for so long as the relevant loan amount remains outstanding) will be entitled to comprise the Issuer Instructing Group, provided that such Issuer Qualifying Debt Representatives have provided an indemnity on terms acceptable to the Issuer Security Trustee. The Issuer has covenanted in favour of the Issuer Security Trustee to use its reasonable endeavours to ensure that at all times it has an Issuer Qualifying Debt Representative which is a Financial Guarantor in order to ensure that the Issuer Security Trustee can be instructed and can take instructions in a timely manner. Accordingly, prior to a Default Situation and for so long as a Financial Guarantor comprises and remains entitled to comprise the Issuer Instructing Group, the Bondholders of all Sub-Classes will be bound by the actions of the Issuer Security Trustee taken on the instructions of the Issuer Instructing Group. In addition, in response to an Emergency Instruction Notice, the Bond Trustee or the Issuer Security Trustee, as the case may be, may be required to take certain action (as specified in such notice) without reference to the Bondholders (see Chapter 6 "*Financing Structure*" under "*Summary of Intercreditor Arrangements*").

In a Default Situation the holders of Class C Bonds and Class D Bonds shall not be entitled to be represented by the Bond Trustee in the Issuer Instructing Group where there is an Issuer Qualifying Debt Representative in respect of any Authorised Loan Facility, the Class A Bonds, the Class B Bonds and the Class R Bonds (and, in the case of holders of Class D Bonds, the Class C Bonds).

Whatever the composition of the Issuer Instructing Group, any decision of the Issuer Instructing Group shall be effective and binding on all Intercreditor Parties at the Issuer level (including all Bondholders). However, no decision of the Issuer Instructing Group shall be effective to the extent that the matter on which the relevant vote or instruction has been given relates to a Basic Terms Modification of any Bonds or to certain entrenched rights and reserved matters of the Issuer Security Trustee or the other Issuer Secured Creditors (including the Bond Trustee).

3 Risks relating to the structure of particular Bonds which may be issued under the Programme

3.1 Sources of payments to Bondholders

See Condition 3 (*Status of Bonds and Financial Guarantee*).

Although the Class A Bonds have or will have the benefit of the relevant Financial Guarantees, none of the Bonds of any Class will be obligations or responsibilities of, nor will they be guaranteed by, any of the Other Parties or any member of the Glas Group (except the Guarantors in relation to DCC and the DCC Secured Liabilities (which include, amongst other things, the obligations and liabilities owed by DCC to the Issuer under each Intercompany Loan Agreement) but it should be noted in respect of the Guarantors that none of them own any significant assets other than their direct or indirect interest in the shares of DCC). None of these persons accepts any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on the Bonds.

In addition, a Financial Guarantor will guarantee to the relevant Class A Bondholders only the payment of scheduled principal and interest; it will not guarantee any amounts which may be accelerated or any additional amounts (including any Subordinated Coupon Amounts).

3.2 Classes of Bonds

See Condition 3 (*Status of Bonds and Financial Guarantee*).

The Class A Bonds, Class B Bonds and Class R Bonds (each of whatever Sub-Class) rank in priority to payments of principal and interest due on all Sub-Classes of the Class C Bonds. The Class A Bonds, Class B Bonds, Class R Bonds and Class C Bonds (each of whatever Sub-Class) rank in priority to payments of principal and interest due on all Sub-Classes of the Class D Bonds.

If, on any Issuer Payment Date, prior to delivery of an enforcement notice there are insufficient funds available to the Issuer to pay accrued interest on the Class C Bonds and/or Class D Bonds, the Issuer's liability to pay such accrued interest will be treated as not having fallen due and should be deferred until the earlier of (i) the next following Issuer Payment Date on which the Issuer has, in accordance with the Issuer Pre-Enforcement of Payments Priorities, sufficient funds available to pay such deferred amounts (including any interest accrued thereon); and (ii) the Issuer Payment Date of the last maturing Bond which ranks in priority to the Class C Bonds or the Class D Bonds, as the case may be. Interest will, however, accrue on such deferred interest.

Notwithstanding the subordination of, and credit enhancement provided by, the Class C Bonds and Class D Bonds to the Class A Bonds, Class B Bonds and Class R Bonds and, additionally, by the Class D Bonds to the Class C Bonds, the Issuer may optionally redeem some or all of the Bonds subordinated and providing credit enhancement to other Classes of Bonds provided that the original issue ratings assigned by any two of the Rating Agencies rating the Bonds would not be adversely affected.

As at the date of this Prospectus, there are no Class C Bonds nor any Class D Bonds outstanding, although the Issuer may still issue subordinated bonds in the future should it choose to do so.

3.3 Regulation and reform of LIBOR or other benchmarks could adversely affect any bonds linked to such benchmarks

See Condition 6 (*Interest and other Calculations*).

Reference rates and indices, including interest rate benchmarks, such as the London Interbank Offered Rate ("**LIBOR**"), which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent years,

been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Bonds referencing or linked to such Benchmark.

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

Further, the Benchmark Regulation could have a material impact on any Bonds linked to a benchmark, such as LIBOR, including in any of the following circumstances:

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

(ii) the methodology or other terms of the benchmark could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of he published rate or level of the benchmark.

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

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

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

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

Rate or Alternative Rate may be less liquid than the market for Bonds linked to the Original Reference Rate.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Issuer may vary the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Bondholders. If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate. The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Rate in accordance with the Conditions.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or the Independent Adviser is unable, to determine a Successor Rate or Alternative Rate before the next Interest Determination Date, the Interest Rate for the next succeeding Interest Period will be the Interest Rate applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Interest Rate will be the initial Interest Rate. This is likely to result in Bonds linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Interest Rate) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined. If the Issuer is unable to appoint an Independent Adviser or, the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life of the relevant Bonds, the initial Interest Rate, or the Interest Rate applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Floating Rate Bonds, in effect, becoming fixed rate Bonds.

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

3.4 The market continues to develop in relation to SONIA as a reference rate

See Condition 6 (*Interest and other Calculations*).

Investors should be aware that the market continues to develop in relation to so called risk free rates, such as the Sterling Overnight Index Average ("**SONIA**") as a reference rate in the capital markets and its adoption as an alternative to LIBOR. In addition, market participants and relevant working groups are exploring alternative reference rates based so called on risk free rates, including a term SONIA reference rate (which seeks to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of a so called risk free rate that differs significantly from that set out in the Conditions and used in relation to Floating Rate Bonds that reference a so called risk free rate issued under this Prospectus. Interest on Bonds which reference a so called risk free rate is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Bonds which reference such so called risk free rates to reliably estimate the amount of interest which will be payable on such Bonds. Further, if the Bonds become due and payable under Condition 11 (*Events of Default and Enforcement*), the Interest Rate payable shall be determined on the date the Bonds became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Bonds.

3.5 Class R Bonds

See Condition 8 (*Redemption, Purchase and Cancellation*).

If any Class R Bonds are sold by the Issuer then under the terms and conditions of the Class R Bonds, the Issuer is obliged (unless there is a subsisting Issuer Event of Default under the Bonds) to re-purchase all Class R Bonds so sold (or which have previously been sold) from the holders thereof on the immediately following Issuer Payment Date. The funds necessary to complete such re-purchase may be raised in a number of ways, including the application of the proceeds of a repayment or prepayment of one or more of the revolving advances of the Intercompany Loan, the issue of a further Series of Bonds, or the resale of Class R Bonds (which may include the Class R Bonds being re-purchased).

However, there can be no assurance that the Issuer will have sufficient funds on a subsequent Issuer Payment Date to repurchase such Class R Bonds in any event and this may lead, ultimately, to an Issuer Event of Default arising in respect of the Bonds.

As at the date of this Prospectus, there are no Class R Bonds outstanding and the Issuer is not intending to issue any Class R Bonds.

4 Risks relating to all Bonds which may be issued under the Programme

4.1 Conflicts of interest between Bondholders

See Chapter 6 "*Financing Structure*" under "*Summary of Intercreditor Arrangements*".

The Trust Deed contains provisions detailing the Bond Trustee's obligations to consider the interests of the Bondholders as regards all powers, trusts, authorities, duties and discretions of the Bond Trustee (except where expressly provided otherwise). In particular, subject as provided in the following sentence, the Bond Trustee will consider the interests of the holders of the Most Senior Class of Bonds (as defined in the Conditions) then outstanding provided that, if the Bond Trustee considers, in its sole opinion, that there is a conflict of interest between the holders of one or more Sub-Classes of such Bonds, it shall consider the interests of the holders of the Sub-Class of the Most Senior Class of Bonds then outstanding with the shortest dated maturity. To the extent that the exercise of any rights, powers, trusts and discretions of the Bond Trustee affects or relates to any Class A Bonds, the Bond Trustee shall only act with the consent of the relevant Financial Guarantor(s) in accordance with the Issuer STID. The Issuer STID provides that the Issuer Security Trustee (except in relation to its reserved matters and entrenched rights) will act on instructions of the Issuer Instructing Group. When so doing, the Issuer Security Trustee is not required to have regard to the interests of any Issuer Secured Creditor (including the Bond Trustee as trustee for the Bondholders) in relation to the exercise of such rights and, consequently, has no liability to the Bondholders as a consequence of so acting.

4.2 Change of law

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

4.3 Application for Bonds to be admitted to the Official List

See the Final Terms.

Notwithstanding the fact that an application has been made for Bonds issued pursuant to the Programme on or after the date of this Prospectus to be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange Regulated Market and that the Bonds issued on the Initial Issue Date, the Second Issue Date, the Third Issue Date, the Fourth Issue Date, the Fifth Issue Date, the Sixth Issue Date and the Seventh Issue Date have been trading since issue, there can be no assurance that such secondary market will provide the holder of the Bonds with liquidity or that any such liquidity will continue for the life of the Bonds. The global credit market conditions may also reduce the liquidity of the Bonds in the secondary market. Consequently, any purchaser of the Bonds must be prepared to hold such Bonds for an indefinite period of time or until final redemption or maturity of the Bonds.

The liquidity and market value at any time of the Bonds is also affected by, amongst other things, the market view of the credit risk of such Bonds and will generally fluctuate with general interest rate fluctuations, other general economic conditions, the condition of certain financial markets, international political events, the performance and financial condition of DCC, developments and trends in the water industry generally and events in the licensed territory of DCC.

4.4 Ratings

See the Final Terms.

The ratings assigned to any Class A Bonds are based solely on the debt rating of the relevant Financial Guarantor (except, as is currently the case, to the extent that such rating is lower than that assigned to the Class B Bonds by the same Rating Agency, in which case, the rating assigned to the Class A Bonds shall be the same as that assigned to the Class B Bonds by the same Rating Agency) and reflect only the views of the Ratings Agencies. The ratings assigned to any issue of Class B Bonds and Class C Bonds by the Rating Agencies reflect only the views of the Rating Agencies and are based primarily on the long-term unsecured and unsubordinated debt rating of DCC and also on the other relevant structural features and assets of the transaction. Any issue of Class D Bonds will not be rated by the Rating Agencies.

A rating is not a recommendation to buy, sell or hold securities and will depend, amongst other things, on certain underlying characteristics of the business and financial condition of DCC or, in the case of the Class A Bonds, of the relevant Financial Guarantor from time to time.

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

4.5 Withholding tax under the Bonds

See Chapter 8 "*Tax Considerations*".

In the event withholding taxes are imposed by or in any jurisdiction in respect of payments due under the Bonds, the Issuer is not obliged to gross-up or otherwise compensate Bondholders for the fact that the Bondholders will receive, as a result of the imposition of such withholding taxes, cash amounts which are less than those which would otherwise have been the case. The Issuer may, in such event, (i) use its reasonable endeavours to arrange for the substitution of another company in an alternative jurisdiction (subject to certain conditions); and, failing this (ii) redeem all the outstanding Bonds in full (subject to certain conditions). (See Chapter 1 "*General*

Description of the Programme" under "*Redemption for Index Event, Taxation or Other Reasons*" and Chapter 7 "*Terms and Conditions of the Bonds*".)

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

4.6 Investors in and purchasers of the Bonds may have limited or no recourse against the independent auditors

See Chapter 9 "*Description of the Current Issuer Hedge Counterparty, Facility Providers and Account Bank*" under "*Independent Auditors – Glas Accounts*".

See "*Independent auditors – Glas Accounts*" for a description of the independent auditors' reports, including language limiting the independent auditor's scope of responsibility, in particular, in relation to their audit work for Glas Cymru Anghyfyngedig for the year ended 31 March 2019. Investors in and purchasers of the Bonds may have limited or no recourse against the independent auditors in respect of that audit work.

Investors in and purchasers of the Bonds should understand that consistent with guidance issued by ICAEW, the Institute of Chartered Accountants in England and Wales, the independent auditors' report for the year ended 31 March 2019 for Glas referred to in this Prospectus states that: the report has been prepared for Glas solely in response to a request from Glas for an audit opinion from independent auditors on the non-statutory directors' reports and financial statements; that the report was designed to meet the agreed requirements of Glas determined by its needs at the time; that the report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against the independent auditors other than Glas for any purpose or in any context; that any party other than Glas who obtains access to the report or a copy and chooses to rely on the report (or any part of it) will do so at its own risk; and that to the fullest extent permitted by law, the independent auditors will accept no responsibility or liability in respect of the report to any other party.

The independent auditor's reports for:

i. DCC (for the years ended 31 March 2018 and 31 March 2019); and

ii. Glas (for the years ended 31 March 2019)

state that that audit report is made solely to the relevant company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. The audit work for that period has been undertaken so that the independent auditor might state to the relevant company's members those matters the independent auditor is required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, the independent auditor does not accept or assume responsibility to anyone other than the relevant company and the relevant company's members as a body for that audit work, for that audit report, or for the opinion the independent auditor has formed in respect of that audit.

In the context of this Prospectus, the independent auditor has reconfirmed that it does not intend its duty of care in respect of any audit to extend to any party, such as investors in and purchasers of the Bonds, other than the addressees of its reports (the "**Addressees**").

Without in any way or on any basis affecting or adding to or extending the independent auditors' duties and responsibilities to the Addressees or giving rise to any duty or responsibility being

accepted or assumed by or imposed on the independent auditor to any party except the Addressees, the independent auditor has provided consent to the inclusion, independently of the independent auditor, of reference to the audit reports in this Prospectus for a proposed issuance of Bonds, thereby demonstrating that an audit of directors' reports and financial statements for each relevant period has been undertaken for the Addressees.

The extent to which the independent auditor may have responsibility or liability to third parties can be unclear under the laws of many jurisdictions, including the United Kingdom. The inclusion of the language referred to above, however, may limit the ability of holders of the Bonds to bring any action against the independent auditors for damages arising out of an investment in or purchase of the Bonds.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

(i)

(a) the Terms and Conditions of the Bonds as contained at pages 85 to 138 (inclusive) of the prospectus dated 9 May 2001;

(b) the Terms and Conditions of the Bonds as contained at pages 119 to 165 (inclusive) of the prospectus dated 4 December 2006;

(c) the Terms and Conditions of the Bonds as contained at pages 120 to 152 (inclusive) of the prospectus dated 19 March 2010; and

(d) the Terms and Conditions of the Bonds as contained at pages 138 to 186 (inclusive) of the prospectus dated 20 December 2017,

(ii)

(a) the audited annual financial statements of DCC (together with the audit report thereon) for the financial year ended 31 March 2019; and

(b) the audited annual financial statements of DCC (together with the audit report thereon) for the financial year ended 31 March 2018;

all of which have been previously published or are published simultaneously with this Prospectus and which have been filed with the CSSF.

As Glas is the holding company of the Issuer (See Chapter 4 "*DCC, the Issuer, the Glas Group and Glas Holdings*" – "*The Glas Group Corporate Structure*") and the relevant financial covenants referred to in Chapter 6 "*Financing Structure" – "DCC Covenants – Financial*" are calculated on the basis of the information contained in:

(a) the audited annual consolidated financial statements of Glas (together with the audit report thereon) for the financial year ended 31 March 2019; and

(b) the audited annual consolidated financial statements of Glas (together with the audit report thereon) for the financial year ended 31 March 2018;

have also been previously published or are published simultaneously with this Prospectus and have been filed with the CSSF. Consolidated financial statements of Glas are incorporated by reference into this Prospectus for information purposes only as Glas guarantees the payment obligations of DCC under the Intercompany Loan Agreements between DCC and the Issuer.

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

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the website of the Luxembourg Stock Exchange (https://www.bourse.lu/cssf-approvals).

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

The tables below set out the relevant page references for each of the following documents incorporated by reference in this Prospectus. Any information not listed in the tables below but included in the documents incorporated by reference is given for information purposes only.

(a) Audited consolidated annual financial statements of Glas for the financial year ended 31 March 2018

Glas Cymru Anghyfyngedig Report and Accounts 31 March 2018

Income Statement	Page 15
Statement of Comprehensive Income	Page 15
Statement of Changes in Equity	Pages 17 and 19
Balance Sheet	Pages 18-19
Cash Flow Statement	Pages 20-21
Notes	Pages 22-56
Auditors' Report	Pages 13-14

(b) Audited consolidated annual financial statements of Glas for the financial year ended 31 March 2019

Glas Cymru Anghyfyngedig Report and Accounts 31 March 2019

Income Statement	Page 11
Statement of Comprehensive Income	Page 12
Statement of Changes in Equity	Pages 13 and 15
Balance Sheet	Pages 14-15
Cash Flow Statement	Pages 16-17
Notes	Pages 18-52
Auditors' Report	Pages 9-10

(c) Audited annual financial statements of DCC for the financial year ended 31 March 2018

Dŵr Cymru Cyfyngedig

Directors' Report and Financial Statements for the year ended 31 March 2018

Income Statement	Page 9
Statement of Comprehensive Income	Page 10
Statement of Changes in Equity	Page 11
Balance Sheet	Page 12
Cash Flow Statement	Page 13
Notes	Pages 14-42
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(d) Audited annual financial statements of DCC for the financial year ended 31 March 2019

Dŵr Cymru Cyfyngedig
Directors' Report and Financial Statements for the year ended 31 March 2019

PROSPECTUS SUPPLEMENT

If at any time the Issuer shall be required to prepare a prospectus supplement pursuant to Article 23 of Regulation (EU) 2017/1129 of 14 June 2017 on prospectuses of securities, as amended, implementing into Luxembourg law the Prospectus Regulation, the Issuer will prepare and make available an appropriate supplement to this Prospectus or a further Prospectus which, in respect of any subsequent issue of Bonds to be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange Regulated Market, shall constitute a prospectus supplement as required by Article 23 of Regulation (EU) 2017/1129 of 14 June 2017 on prospectuses of securities, as amended, implementing into Luxembourg law the Prospectus Regulation.

Each of the Issuer and DCC has given an undertaking that if at any time during the duration of the Programme there is a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of any Bonds, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Bonds and shall supply to each Dealer and the Bond Trustee such number of copies of such supplement hereto as such Dealer and the Bond Trustee may reasonably request. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply when this Prospectus is no longer valid.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

Any information relating to the Bonds which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Class of Bonds will be contained either in the relevant Final Terms or in a Drawdown Prospectus. For a Class of Bonds which is the subject of Final Terms, those Final Terms will, for the purposes of that Class only, supplement this Prospectus and must be read in conjunction with this Prospectus. The Conditions as supplemented, amended and/or replaced to the extent described in the relevant Final Terms are the terms and conditions applicable to any particular Tranche of Bonds which is the subject of Final Terms.

The Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus are the terms and conditions applicable to any particular Class of Bonds which is the subject of a Drawdown Prospectus. Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Bonds.

CHAPTER 3
THE PARTIES

Issuer	Dŵr Cymru (Financing) UK Plc (the "**Issuer**") was formed in order to raise funds to invest in providing long term debt financing to DCC in relation to its water and sewerage undertaking.
DCC	Dŵr Cymru Cyfyngedig ("**DCC**") is engaged in the provision of water and sewerage services under an appointment held under the WIA.
Holdings	Dŵr Cymru (Holdings) Limited ("**Holdings**") is the immediate holding company of the Issuer and DCC.
Guarantors	The following parties (each a "**Guarantor**") has each guaranteed certain obligations of DCC (being the DCC Secured Liabilities) in favour of the DCC Security Trustee (for itself and on behalf of the DCC Secured Creditors, as defined below): (i) Holdings; (ii) Glas Securities; and (iii) Glas (each as defined below). The DCC Secured Liabilities that benefit from the guarantees include, amongst other things, the obligations and liabilities owed by DCC to the Issuer under each Intercompany Loan Agreement between the Issuer (as Lender) and DCC (as Borrower). None of the Guarantors has directly guaranteed the obligations of the Issuer under the Bonds.
Glas	Glas Cymru Anghyfyngedig ("**Glas**"), a private unlimited company, is the holding company in the Glas Group.
Glas Holdings	Glas Cymru Holdings Cyfyngedig ("**Glas Holdings**"), a private company limited by guarantee that holds all of the issued share capital of Glas.
Glas Securities	Glas Cymru (Securities) Cyfyngedig ("**Glas Securities**"), a private company limited by shares which is a wholly owned subsidiary of Glas that holds all of the issued share capital of Holdings.
Glas Group	Glas, Glas Securities, Holdings, the Issuer and DCC (the "**Glas Group**").
Arranger	HSBC Bank plc.
Dealers	Barclays Bank PLC, BNP Paribas, HSBC Bank plc, Lloyds Bank Corporate Markets plc and NatWest Markets Plc will act as dealers (together with any other dealer appointed from time to time by the Issuer) (the "**Dealers**") either generally in respect of the Programme (other than in respect of the Class R Bonds) or in relation to a particular Sub-Class, Class or Series of Bonds (other than in respect of the Class R Bonds).
Financial Guarantors (for Class A Bonds only)	Each of (i) the Initial Financial Guarantor under the terms of various financial guarantees which it has issued in favour of the Bond Trustee and in respect of Class A Bonds issued on the Initial Issue Date and in respect of Class A6 Bonds issued on

	the Fourth Issue Date; and (ii) such other financial guarantee companies (each, together with the Initial Financial Guarantor, a "**Financial Guarantor**") as the Issuer may arrange to issue Financial Guarantees in respect of further Series of Class A Bonds. The Initial Financial Guarantor is under no obligation to issue Financial Guarantees. For the avoidance of doubt, the Issuer is not intending as of the date of this Prospectus to issue any further Class A Bonds pursuant to this Prospectus.
Bond Trustee	Deutsche Trustee Company Limited as trustee (the "**Bond Trustee**") for and on behalf of the holders of each Class of Bonds of each Series (each a "**Bondholder**").
Issuer Security Trustee	Deutsche Trustee Company Limited as security trustee (the "**Issuer Security Trustee**") holds, and is entitled to enforce (for itself and on behalf of the Issuer Secured Creditors, as defined below), and the Issuer Security (as defined below).
Paying Agents	Deutsche Bank AG, London Branch as issue agent and principal paying agent (the "**Principal Paying Agent**") and Deutsche Bank Luxembourg S.A. (the "**Luxembourg Paying Agent**" and, together with the Principal Paying Agent, the "**Paying Agents**") provides certain paying agency services to the Issuer in respect of Bearer Bonds.
Registrar	Deutsche Bank Luxembourg S.A. acts as registrar (the "**Registrar**") and provides certain registrar services to the Issuer in respect of Registered Bonds.
Transfer Agents	Deutsche Bank AG, London Branch as transfer agent (the "**Principal Transfer Agent**") and Deutsche Bank Luxembourg S.A. (the "**Luxembourg Transfer Agent**", together with the Principal Transfer Agent, the "**Transfer Agents**") provide certain transfer agency services to the Issuer in respect of Registered Bonds.
DCC Security Trustee	Deutsche Trustee Company Limited acts as security trustee (the "**DCC Security Trustee**") and holds, and is entitled to enforce (for itself and on behalf of the DCC Secured Creditors (as defined below)), the DCC Security and the Guarantor Security (each as defined below).
Cash Manager	DCC, pursuant to the terms of the Master Framework Agreement (as defined below) is appointed by the Issuer to act as cash manager (the "**Cash Manager**") in respect of monies credited from time to time to the Issuer Accounts (as defined below).
Standstill Cash Manager	The Royal Bank of Scotland plc, pursuant to the terms of the DCC STID and the Standstill Cash Management Agreement dated 21 June 2001, is appointed to act, after the occurrence of a Standstill Event (as defined below) as cash manager (the "**Standstill Cash Manager**") in respect of monies credited from time to time to the Debt Service Payment Account (as

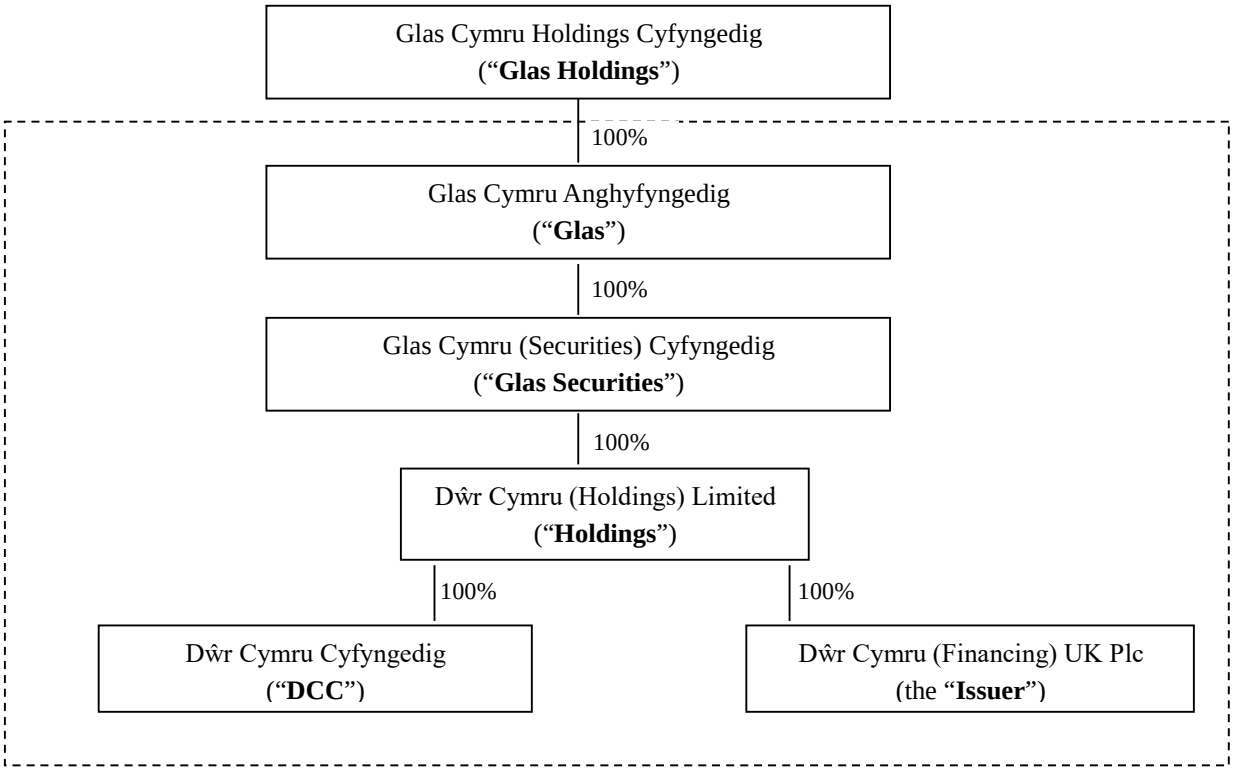
	defined below).
Account Bank	National Westminster Bank Plc, or any person for the time being acting as Account Bank (pursuant to the DCC Account Bank Agreement and the Issuer Account Bank Agreement, each as defined below) (each an "**Account Bank**") holds the DCC Accounts (as defined below) and Issuer Accounts and has established the Overdraft Facility (as defined below) in favour of DCC.
Agent Bank	Deutsche Bank AG, London Branch acts as agent bank (the "**Agent Bank**") under the Paying Agency Agreement (as defined below).
Luxembourg Listing Agent	Deutsche Bank Luxembourg S.A. is the listing agent in respect of the Bonds in Luxembourg.
Finance Lessors	Each of Lloyds Bank Equipment Leasing (No. 9) Limited as Trustee for and on behalf of, and as Managing General Partner for Kanaalstraat Funding CV (formerly Lloyds Plant Leasing Limited) ("**Kanaalstraat**"), Lombard Lease Finance Limited, Lloyds Bank Corporate Asset Finance (No.4) Limited, Assetfinance December (H) Limited (formerly Motopurchase Limited), Norddeutsche Landesbank Girozentrale and RBSSAF (2) Limited (together the "**Finance Lessors**"), who lease plant, machinery and equipment to DCC under the terms of various finance leases (together, the "**Finance Leases**").
Current DCC Hedge Counterparties	NatWest Markets Plc, Lloyds Bank Corporate Markets plc and HSBC Bank plc, all of whom have entered into hedging arrangements with DCC in respect of the Finance Leases (the "**Current DCC Hedge Counterparties**").
Current Liquidity Facility Providers	Assured Guaranty (Europe) PLC and Assured Guaranty Municipal Corp. (the "**Further Liquidity Facility Providers**") provide to the Issuer a liquidity facility for the purpose of meeting certain shortfalls in revenues available to the Issuer and DCC.
Current Issuer Hedge Counterparty	NatWest Markets Plc has entered into a hedging arrangement with the Issuer. (the "**Current Issuer Hedge Counterparty**").
Authorised Lenders	As at the date of this Prospectus: (i) the European Investment Bank and KfW IPEX-Bank GmbH have each made available Authorised Loan Facilities in respect of various revolving working capital and capital expenditure items to DCC; and (ii) the European Investment Bank, HSBC Bank plc, The Royal Bank of Scotland plc, BNP Paribas, London Branch, and Barclays Bank PLC have each made available Authorised Loan Facilities in respect of various revolving working capital and capital expenditure items to the Issuer, (each lender listed above being a "**Current Authorised Lender**").

After the date of this Prospectus, certain other banks or financial institutions (each an "**Authorised Lender**") may agree to provide revolving credit facilities to the Issuer and/or DCC, or may agree to become Authorised Lenders as part of the syndication of any of the Authorised Loan Facilities provided by the Current Authorised Lenders or any further Authorised Loan Facility. (See Chapter 6 "*Financing Structure"* under "*Additional Resources Available*".)

CHAPTER 4
DCC, THE ISSUER, THE GLAS GROUP AND GLAS HOLDINGS

DCC (and the Glas Group) is subject to economic regulation as further described in this Prospectus. As such, DCC's operational performance can impact on its financial performance through the financial reward and penalty mechanisms which the WSRA/Ofwat has in place to incentivise companies to deliver on their commitments. In DCC's view, such operational performance figures are not financial measures and as such not alternative performance measures unless specifically disclosed as such.

Corporate Structure



The diagram set out above illustrates the ownership structure of the Glas Group. Glas is still the holding company of the Glas Group; however, since March 2016, Glas has been a wholly-owned subsidiary of Glas Holdings. Glas Securities is a wholly-owned subsidiary of Glas. In turn, Holdings is a wholly-owned subsidiary of Glas Securities. Each of DCC and the Issuer is a wholly-owned subsidiary of Holdings.

For the avoidance of doubt, Glas Holdings is not part of the Glas Group and is therefore not subject to the full package of representations, warranties and covenants that are set out in the Common Terms Agreement (see section "*Common Terms Agreement*" under "*Summary of Finance Documents*"). Since Glas Holdings sits outside the Glas Group, it is not a Guarantor of the DCC Secured Liabilities in the same manner as Glas, Glas Securities and Holdings.

DCC

Introduction

DCC (also known as Welsh Water) is the operating company of the Glas Group. DCC's registered office is Pentwyn Road, Treharris, Mid Glamorgan, CF46 6LY and its telephone number is +44 (0) 1443 452300.

DCC's website is http://www.dwrcymru.com. The website and its content is not incorporated into, and does not form part of, this Prospectus.

DCC was incorporated as a private limited company in England and Wales on 1 April 1989 under the Companies Act with registration number 2366777 and its Legal Entity Identifier code 2138001LSWETH5TDQG53. DCC's principal activity is the supply of water and the treatment and disposal of sewage. DCC is the eighth largest water service and sewerage company in England and Wales (based on turnover). It operates under an instrument of appointment (its "**Instrument of Appointment**") which has a 25 year notice period (see Chapter 5 "*Water Regulation*" under "*Variation and Termination of an Appointment*").

Area of Appointment

DCC's water supply area covers most of Wales as well as parts of Herefordshire and Gloucestershire in England. DCC's sewerage area covers most of Wales and parts of Herefordshire, Gloucestershire, Cheshire, Shropshire and the Wirral. The sewerage boundary includes the Dee and Wye catchments in England but excludes the catchment of the River Severn in mid-Wales. Most of the premises served by DCC's sewerage services also receive water supplies from DCC.

There are two inset appointments:

- Albion Eco Limited - to cover the supply of water to UPMand Eirgrid sites on Deeside; and
- Leep Network (Water) Limited - to cover the supply of water and wastewater services for 244 household properties and wastewater only for 4 non household properties at Llanilid, near Bridgend.

From time to time, DCC may receive notification of other inset appointments for unserved locations or large sites.

Map of DCC Instrument of Appointment Area

Registered Office, Share Capital, Employees and Auditors

The registered office of DCC is at Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY, Wales, UK. The telephone number of DCC is +44 (0) 1443 452300.

DCC's authorised share capital is £501,050,000 ordinary shares of £1 each. The entire issued share capital of £309,876,374 ordinary shares is owned by Holdings.

The number of DCC employees as at 31 March 2019, including executive directors, was 3,630.

The auditors of DCC are KPMG LLP, Statutory Auditor and Chartered Accountants, of 3 Assembly Square, Britannia Quay, Cardiff, CF10 4AX (the "**DCC Auditors**"). DCC's accounting reference date is 31 March, and the latest audited accounts for DCC are for the year ended 31 March 2019. DCC's accounts ("**DCC Accounts**") are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The DCC Accounts are consolidated into the audited accounts for Glas each year (see "*Glas Cymru Anghyfyngedig*" on page 66 of this Prospectus). The audited accounts of DCC for the year ended 31 March 2018 and for the year ended 31 March 2019 are incorporated by reference into this Prospectus.

Regulation

DCC is principally regulated under the provisions of the WIA and its Instrument of Appointment as a water and sewerage undertaker (an "**Undertaker**"). The Welsh Government, the Secretary of State and the WSRA are the principal regulators of DCC. (See Chapter 5 "*Water Regulation*" under "*Regulatory Framework*" and "*Duties of the WSRA and the Secretary of State*" for further details.) Any statements attributed to Ofwat herein includes any statement made by the DGWS before he ceded his duties to the WSRA. (See Chapter 5 "*Water Regulation*" for details on the regulation of Undertakers, including DCC.)

The main provisions of DCC's Instrument of Appointment ("**Conditions of Appointment**") are as follows:

- the application of price controls to restrict the charges that DCC can make for each element of the services that it provides;
- periodic reviews of price controls at specified intervals by means of determinations made by the WSRA;
- Interim Determinations (as defined in Chapter 5 "*Water Regulation*") by the WSRA between periodic reviews to make changes to price controls. At present, the specified circumstances which may trigger an Interim Determination for DCC include a new or changed legal requirement, and variations in values received or expected to be received from disposals of protected land;
- provisions which enable DCC to require the WSRA to refer a periodic review determination or an Interim Determination to the CMA for re-determination;
- requirements relating to the "financial ring-fencing" of the regulated business and transactions with associated companies, including the payment of dividends, and a requirement that DCC has at its disposal sufficient financial and managerial resources to carry out its regulated activities (including any investment programme necessary to fulfil legal obligations) and the "ring-fencing" of land and other assets;
- a requirement that DCC obtain a legally enforceable undertaking from its parent company stipulating that it will refrain from any action which would prejudice the ability of DCC to comply with its obligations as an Undertaker;
- a requirement to prepare and publish separate accounts showing separately its appointed business from all other businesses and activities;
- a requirement that the regulated business neither gives to, nor receives from, any other business or activity of DCC or any other company within the Glas Group, any cross-subsidy, whether those businesses are regulated under the WIA or not and that any transaction with any other company within the Glas Group be on arm's length terms;
- a requirement that DCC maintains all necessary systems of planning and internal control to carry out its responsibilities as a water and sewerage undertaker;

- requirements concerning the corporate governance arrangements of DCC including compliance with the UK Corporate Governance Code and the WSRA's Principles of Board Leadership, Transparency and Governance;
- requirements to provide regulatory information to the WSRA;
- requirements associated with the provision of wholesale services to a Water Supply Licensee ("**Licensee"**), including obligations to be a party to and comply with the Market Arrangements Code and to carry out retail activities to eligible customers as though those activities were being carried out by a Licensee;
- a requirement to maintain at all times an Issuer credit rating which is an investment grade rating;
- a requirement to publish a Compliance Code to help ensure DCC does not operate in an anti-competitive manner; and
- requirements to prepare and to comply with an Access Code which is to set out the basis upon which a Licensee can obtain common carriage services from the Undertaker in order to compete for eligible customers (See Chapter 5 "*Regulation*" under "*Competition in the Water Industry*" and "*The Water Supply Licensing Regime*").

Other Conditions of Appointment cover obligations relating to the calculation and application of "infrastructure charges", the preparation of charges schemes, the duty not to show undue preference or discrimination in the setting of charges, the requirement not to show undue preference or discrimination in the provision of services to certain third party service providers, prohibition on the disclosure of specified information provided by third party service providers in certain circumstances, the provision of core information to customers, procedures for dealing with leakage on customer supply pipes, service standards and targets, the payment of fees to the WSRA and compensation for customers in the event of interruptions to supply during a drought.

Water Resources

DCC benefits from a combination of high annual rainfall and topographical and geological conditions which favour the catchment and storage of water. While resources are generally adequate to meet forecast demand, DCC actively pursues a strategy of minimising leakage and promoting water efficiency to reduce overall consumption. DCC has been able to maintain supplies with only limited restrictions (for example, hosepipe bans) even in exceptional drought conditions such as those which prevailed in 1984, 1989, 1990, 1995, 2010 and 2018. Approximately one-quarter of the total water abstracted by DCC is supplied untreated to Severn Trent Water Limited under a bulk supply agreement.

Pollution Control

Regulatory control of discharges to the environment is undertaken by Natural Resources Wales (the "**NRW**") and the Environment Agency (the "**EA**") which regularly samples discharges from treatment works. As part of improvements in efficiency and effectiveness of DCC's largest assets are remotely monitored to ensure that quality standards are met.

Water Supply – Base Statistics 2018-2019

Description	Value
Population served	3.058m
Properties served	1.442m
Length of mains	27,644km
Number of water treatment works (in operation)	62

Description	Value
Number of main reservoirs	
Number of water reservoirs (in operation)	78
Number of service reservoirs (in operation)	462
Average daily supply	841 Mld
-from groundwater	3%
-from surface water	97%

Waste Water – Base Statistics 2018 - 19

Population served	3.075m
Properties served	1.458m
No. of wastewater treatment works	835
Volume of wastewater treated daily	1,448 Mld

Measures of Success

The WSRA changed their approach for companies to report their performance from April 2015. Companies had to consult with their customers and customer challenge groups to understand what is important to them and set 'outcomes' to achieve based on this feedback. Targets were then set based on these outcomes, and performance during the five year period was to be subject to "Outcome Delivery Incentives ("**ODI**s")", some of which involve financial rewards and penalties. As these outcomes are different for each company (except for some standard targets set by the WSRA, for example the Service Incentive Mechanism ("**SIM**") detailed below) it is not possible to directly compare water companies' performance. These regulatory targets are called "**Measures of Success**".

To help DCC measure its performance, its Business Plan contains 8 key 'outcomes' to be achieved by 2020 for customers, communities and the wider environment. These outcomes are based on customer priorities from the consultation conducted with customers in 2013. DCC measures its success towards achieving these outcomes against a number of targets, or Measures of Success, that it aims to meet or exceed each year. These targets are a combination of regulatory targets and other measures set independently by the board of DCC. DCC's performance for 2018/19 is shown in the table below, which is followed by an explanatory table setting out the definitions for each respective Measure of Success:

	MEASURE OF SUCCESS	OFWAT TARGET 2018-19	2018-19 OUT-TURN VS OFWAT TARGET	2017-18	2018-19 OUT-TURN	2018-19 VS PREVIOUS YEAR	BUSINESS PLAN 2019-20 TARGET	ON COURSE TO MEET 2020 TARGET?
1	HIGH QUALITY DRINKING WATER							
A1A*	Safety in Drinking Water (% Compliance)	–	–	99.98%	99.98%	✓	99.99%	✓
A1B*	Safety in Drinking Water (Mean Zonal Compliance)	100%	✗	99.96%	99.97%	✓	99.98%	✓
A2*	Customer acceptability (contacts per 1,000 Pop)	–	–	2.79	2.98	✗	2.40	✗
A3	Reliability of Supply (Customer Minutes Lost)	12	✗	43.3	16.04	✓	12	✓
2	PROTECTING THE ENVIRONMENT							

	MEASURE OF SUCCESS	OFWAT TARGET 2018-19	2018-19 OUT-TURN VS OFWAT TARGET	2017-18	2018-19 OUT-TURN	2018-19 VS PREVIOUS YEAR	BUSINESS PLAN 2019-20 TARGET	ON COURSE TO MEET 2020 TARGET?
B1	Abstraction of Water for us	100%	✓	100%	100%	✓	100%	✓
B2*	Treating wastewater	100%	✗	98.21%	99.64%	✓	99%	✓
B3A*	B3a Preventing pollutions (number of pollution incidents)	–	–	115	123	✗	112	✓
B3b*	B3b Preventing pollutions (category 3 pollution incidents only)	131	✓	112	118	✗	112	✓
3	**RESPONDING TO CLIMATE CHANGE**							
C1	Responding to climate change	20,000	✗	15,097	15,967	✓	25,000	✓
C2	Carbon footprint (Gwh of clean energy)	85	✓	97.89	85.02	✗	125	✓
4	**CUSTOMER SERVICE**							
D1	Service Incentive Mechanism (SIM)	Top quartile		85	87	✓	Top quartile	✓
D2	At Risk Customer Service	550	✗	613	641	✗	425	✓
D3	Properties flooded in the year	282	✓	221	221	✓	222	✓
D4a	Business Customer Satisfaction (%)	–	–	88	89	✓	88	✓
D4b	Non Household Customer Satisfaction (%)	90	✗	87	88	✓	88	✓
D5	Earning the Trust of Customers (%)	71	✓	84	85	✓	85	✓
5	**AFFORDABLE BILLS**							
E1	Affordable Bills (% below inflation)	–1	✓	–2	–2	✓	–1	✓
E2	Help for Disadvantaged customers	–	–	105,864	125,152	✓	100,000	✓
6	**LOOKING AFTER OUR ASSETS**							
F1	Asset Serviceability	Stable (x4)	✓	Stable (x4)	Stable (x4)	✓	Stable	✓
F2	Leakage (Ml per day)	171	✓	172.9	169.5	✓	169	✓
F3	Asset Resilience (Water)	85	✓	90.4	90.2	✗	89	✓
F3	Asset Resilience (Waste Water)	76	✓	77.5	79	✓	78	✓
7	**DEVELOPING AND PROTECTING OUR PEOPLE**							
G1	RIDDOR Incidents	–	–	14	8	✓	10	✓

	MEASURE OF SUCCESS	OFWAT TARGET 2018-19	2018-19 OUT-TURN VS OFWAT TARGET	2017-18	2018-19 OUT-TURN	2018-19 VS PREVIOUS YEAR	BUSINESS PLAN 2019-20 TARGET	ON COURSE TO MEET 2020 TARGET?
G2	Competence in Role (%)	–	–	82	88	✓	95	✓
8	EFFICIENT BUSINESS							
H2	Financing Efficiency (credit rating) ††	–	–	A/A2/A	A/A2Neg/ ANeg	✗	A/A3/A	✓

* means measured by the calendar year (January 2018 to December 2018). Other outcomes are measured by the financial year (April 2018 to March 2019).

†† on 5 June 2019 Fitch reaffirmed their A rating (with a negative outlook).

As at 31 March 2019 DCC had accrued total rewards across all its ODIs of £8.5 million and incurred penalties of £8.4 million. In its 2018-19 Annual Performance Report, DCC has projected total rewards of £10.3 million by the end of the price control period in 2020, and total penalties of £10.3 million.

Measures of Success: Definitions

A1a	**Safety of Drinking Water (% compliance)**	Provide safe drinking water that meets the Drinking Water Inspectorate's standards. The percentage of the sample tests that are compliant with the standards. DCC takes circa 250,000 samples tests per year at their water treatment works, service reservoirs and at customer taps.
A1b	**Safety of Drinking Water (Mean Zonal Compliance)**	Mean Zonal Compliance is published annually in the Drinking Water Inspectorate (DWI) report. The MZC covers 39 different parameters such as Iron, Lead and Aluminium, which are tested to establish the quality of water as received by customers. MZC is calculated as the average of the compliance levels for each parameter in each of our 82 water quality zones, which range in size from 27 population to almost 100,000 population. (The maximum allowable population in any one water quality zone is 100,000 allowable within the DWI regulations.)
A2	**Customer acceptability**	The number of contacts received from customers in the year regarding the appearance, taste or odour of drinking water, expressed as a rate per 1,000 customers.
A3	**Reliability of Supply**	The average number of minutes that customers are without water within our supply area (includes both planned and unplanned interruptions).
B1	**Abstraction for water for use**	The percentage compliance with DCC's abstraction licences, as issued by Regulators.
B2	**Treating wastewater**	For each of our wastewater treatment works there is a permit which regulates the quality of wastewater the company is allowed to discharge into rivers and coastal waters, which is regulated by the NRW. The measure is the

		% compliance against the discharge permits.
B3a	**Preventing pollutions (cat 1,2&3)**	Reduce the number of pollution incidents (caused by blockages or collapsed sewers). Pollution incidents are categorised as category 1, 2 or 3 incident and reported by Natural Resources Wales and the Environment Agency. Category 1 - the most severe and have a major or serious impact on the environment, people or property. Category 2 - significant impact or effect on the environment, people or property. Category 3 - minor or minimal impact on the environment, people or property.
B3b	**Preventing pollutions (cat 3 only)**	As above but only category 3 pollution incidents (minor or minimal impact on the environment, people or property).
C1	**Responding to climate change**	Reduce the amount of rainwater entering our sewers. The measure is the volume of surface water removed from the system, expressed as the number of equivalent properties.
C2	**Carbon footprint**	To generate more renewable energy and therefore to offset our carbon emissions and the cost of imported energy (GW hours per year).
D1	**SIM**	Service incentive mechanism (SIM) is a measure introduced by the Regulator Ofwat to monitor and report customer service information across all water and wastewater companies as a comparative measure.
D2	**At Risk Customer Service**	The number of customers who are on our register of "at risk". They are deemed to be "at risk" because their service has repeatedly fallen short in one of the following five areas: discolouration of water, interruptions to supply, low pressure, odour from wastewater assets and sewer flooding.
D3	**Properties flooded in the year**	The number of properties suffering internal sewer flooding per year.
D4a	**Business Customer Satisfaction % satisfied**	Business customer satisfaction as measured by either satisfied or very satisfied in the six-monthly survey undertaken.
D4b	**Non Household Customer Satisfaction**	Business customer satisfaction as measured by the average customer score out of a total of five then converted to a percentage.
D5	**Earning the Trust of Customers**	Customer trust as measured in an annual survey DCC undertakes.

E1	**Affordable Bills**	The company will continue to make bills more affordable by maintaining falling bills in real terms, beating inflation by around 1% a year.
E2	**Help for Disadvantaged customers**	Help more customers who genuinely struggle to pay their bills customers by providing assistance through a range of social tariffs and our Customer Assistance Fund.
F1	**Asset Serviceability**	Maintain our assets. Serviceability includes a basket of sub-measures used by Ofwat to monitor the effectiveness of our asset management and the maintenance of our assets.
F2	**Leakage**	Reduce our leakage levels — megalitres per day (Ml/d).
F3	**Asset Resilience**	Improve the resilience score of our most strategic assets. Improve the percentage of strategic assets that are resilient against a set of criteria. Strategic assets are those where failure would have a major impact on service to customers or on the environment.
G1	**RIDDOR Incidents**	The total number of injuries reported each year to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ("**RIDDOR**"). It includes injuries that occur across the wholesale and retail businesses, as well as those involving DCC's main contractors and capital partners.
G2	**Competence in Role (%)**	DCC have a "Progression in Role" framework and have established clear role profiles that define key criteria which they use to measure individuals' knowledge, skills and competence to undertake their respective roles. DCC's objective is that by 2020 (and ongoing beyond that) 95% of the outlined key roles will be deemed competent (with the remainder being new starters in training).
H2	**Financing Efficiency (credit rating)**	The rating ascribed by the three main rating agencies: S&P, Moody's and Fitch.

Service Incentive Mechanism

In April 2015, the WSRA updated its SIM. SIM is comprised of two components:

(i) a quantitative score that measures the number of written complaints and unwanted telephone contacts that the company receives; and

(ii) a qualitative score that measures, using the WSRA's independent market researcher, how satisfied customers are with the quality of service they receive.

The quantitative and qualitative scores are weighted (25 per cent. and 75 per cent. respectively) to produce the combined SIM customer experience measure. The combined score has been used by the WSRA to calculate incentives and penalties at the next price review.

For the year ended 31 March 2019, DCC ranked third out of the eleven water and sewerage companies in the WSRA's customer satisfaction survey.

Measures of Experience

DCC's ranking in relation to Measures of Success is assessed against particular benchmarks set by Ofwat, including C-MeX, B-MeX and D-MeX, each of which are described in more detail below.

Customer Measure of Experience ("C-MeX")

As set out in the WSRA's methodology for the Price Review 2019, from 2019/20 SIM has been replaced by an alternative incentive mechanism called C-MeX.

C-MeX is designed to encourage water companies to provide better customer service to their household customers. During 2019/20 (the "**Shadow Year**") C-MeX will be run as a shadow year reporting only.

C-MeX is only based on customer satisfaction and there is no quantitative element. Monthly surveys will be undertaken, using the WSRA's independent market researcher, asking customers how satisfied they are with the customer experience received and a Net Promoter Score question (likelihood to recommend to others).

C-MeX is comprised of two survey elements:

1. Customer Experience Survey – a customer satisfaction survey amongst a random samples of the water company's customers; and
2. Customer Service Survey – a customer satisfaction survey amongst a random sample of those customers who have contacted their water company.

The scores from each of the two surveys are weighted equally to produce the combined C-MeX measure. This combined score for 2020/21 onwards will be used by the WSRA to calculate incentives and penalties on an annual basis.

Business Customer (Non-household) Measure of Experience ("B-MeX")

The non-household customer arrangements in the water sector for England and Wales has been open to the market since 2017 where these customers are for the first time able to 'switch' retailers and move away from the incumbent retailer. The main purpose of this change is to improve the quality of service these customers receive and reduce their bills.

Whilst all non-household customers are able to switch their retailer if they are served by an English water company, the arrangements for those customers served by DCC is different. Only those who use large volumes of water are able to switch. In DCC's case this applies to just over 100 individual customers with the remaining 110,000 non-household customers not being able to switch retailers. The varied arrangements for non-household customers in England and Wales are driven by differences in UK Government and Welsh Government policy.

On the basis that most of DCC's non-household customers cannot switch retailers, DCC proposed to introduce a formal measure so that it could ensure that it was providing the same or better service to its non-household customers than those who could switch. This measure is called B-MeX and has been in place since 2017 and will continue throughout AMP7 (2020-2025).

The B-MeX mechanism is based on an independent research company selecting a representative random sample from all of DCC's non-household customers and asking them to rate the quality of service they receive from DCC. The B-MeX survey for AMP6 involves two such surveys per annum with the scores being converted into a customer satisfaction score. The arrangements for AMP7 will be similar but will likely involve four surveys per annum.

The arrangements for AMP6 did not have any reward arrangements but did have penalty arrangements if DCC's service fell below the committed service level DCC made. In AMP6 DCC's customer satisfaction

levels averaged around 88 per cent. and no penalties have been incurred. DCC is awaiting finalisation of the arrangements in AMP7 as part of the final determination by the WSRA. DCC has proposed that a reward should form part of the B-MeX arrangements for AMP7.

Developer Customer Measure of Experience ("D-MeX")

The developer services measure of experience is a mechanism aimed to incentivise water companies to provide an excellent customer experience for developer services (new connections) customers. These customers include small and large property developers, self-lay providers (SLPs), and those with new appointments and variations (NAVs). The final D-MeX mechanism is yet to be confirmed by the WSRA together with the reward and penalty arrangements. It is likely that the final mechanism will be confirmed when the Final Determinations are made by the WSRA in December 2019.

For the Shadow Year, D-MeX is comprised of two components: a quantitative component comprised of the Water UK Developer Services metrics; and a qualitative survey comprised of a transactions follow-up survey. This is a survey in which customers who have had work completed by water companies are surveyed about their recent experience.

The aim of the quantitative element of D-MeX is to ensure that levels of service are being met by companies. On an ongoing basis throughout the Shadow Year, companies will continue to provide their levels of service data submissions to Water UK on a monthly basis.

The qualitative transactional survey aims to measure and track customer satisfaction with the day to day operational service delivery provided by water companies.

Transactions are identified by reference to the established list of activities already monitored by Water UK. Each month on an ongoing basis throughout the Shadow Year, a sample of each company's customers will be interviewed by phone to collect feedback and satisfaction scores relating to a recent 'transaction' or piece of work completed by the company on their behalf.

The results of both the qualitative and quantitative surveys are then added together to create a D-MeX score for each company. All companies are then placed in a league table to compare performance. In the 'live' operation of D-MeX, this determines which companies receive rewards/penalties or who are in the 'dead band.'

No financial reward/penalty arrangements are active for the Shadow Year.

Turnover

For the year to 31 March 2019, total revenue was £779.8 million, yielding operating profits before financing costs of £70.6 million.

Water supply and sewerage services charges are set so as to reflect the average costs of providing each service. The average domestic bill within the region supplied by DCC was £445 for the year to 31 March 2019.

During the year ended 31 March 2019, approximately 44 per cent. of household water and sewerage customers paid according to their domestic metered consumption. The WIA grants domestic customers the right to have a free meter installed if they wish to have one, where this is practicable. New properties are also generally metered.

Customers with unmetered supplies are billed primarily in advance on an annual basis with payments due annually, half-yearly or by instalments. For supplies of metered water, non-household customers are billed periodically depending on the size of their consumption and household customers are normally billed half-yearly. Approximately 23 per cent. of DCC's appointed revenue comes from non-household customers.

DCC offers a variety of payment options for settling charges for water supply and sewerage services, including assistance tariffs for 136,000 household customers on low incomes and particular needs at an

annual cost to DCC in 2018-2019 of approximately £7 million which forms part of the Glas Group's annual customer distributions (see "*Customer Distributions*" below for further detail). The WIA prohibits the disconnection of household customers and other protected premises for non-payment of bills. Industrial and commercial customers are subject to a range of actions for non-payments including disconnection where persistent failure to settle charges occurs.

Billing and collection services include meter reading, account maintenance, billing collections, debt management and all associated calls and correspondence. DCC also has supplementary billing and collection agreements with some local authorities and housing associations.

DCC's total bad debt charge for the year to 31 March 2019 was £21.0 million, less than 3 per cent. of turnover. The bad debt charge (as a percentage of revenue) is an alternative performance measure and is calculated as the charge divided by turnover.

Under the business plan published for the five-year regulatory period from 1 April 2015 to 31 March 2020 ("**AMP6**", and such final determination, the "**AMP6 Final Determination**"), DCC intends for any average household bill increases to be kept below the level of RPI inflation, as DCC has achieved over the preceding five year period.

Operating Costs

DCC's operating expenditure (excluding depreciation, amortisation and infrastructure renewals expenditure) was £333.5 million in the year to 31 March 2019.

DCC planned to achieve a reduction of approximately 20 per cent in its controllable operating costs between 2014/15 and 2019/20 to meet its cost assumptions reflected in the WSRA's PR14 Final Determination. DCC planned to achieve this reduction through a combination of streamlining processes to exploit recent investment in new operational technology, eliminating duplication in management, investing in "green energy" to reduce power costs and a phased reduction by March 2020 of the number of staff members required to deliver water and wastewater services by around 360, which is planned to be achieved through a combination of retirement, natural staff turnover and voluntary severance.

Insurance

DCC maintains comprehensive insurance cover consistent with the generally accepted practices of prudent water and sewerage companies. This includes property damage and business interruption insurance which covers the risk of loss and damage, including terrorism cover. DCC also has third party liability insurance, which includes public and product liability insurance.

Financing Costs and Strategy

For the year ended 31 March 2019, DCC's net interest payable (before fair value adjustments) was £168.6 million, representing an average interest cost of approximately 5 per cent. The net interest payable for the year includes indexation charges of £39.1 million in respect of Indexed Bonds (as defined in the Chapter 7 "*Terms and Conditions of the Bonds*") in issue reflecting the RPI indexation of the principal in respect of such Bonds during the year and £6.5 million in respect of the £230 million index-linked loan from the European Investment Bank reflecting the RPI indexation for such loan.

As at 31 March 2019, after taking into account derivative financial instruments 100 per cent of the company's gross debt was either linked to the Retail Prices Index or at a fixed rate.

Upon Glas' acquisition of DCC in May 2001, regulatory gearing was approximately 93 per cent. This figure has been gradually reduced to 58 per cent on 31 March 2019.

The board of directors of DCC considers an appropriate level of gearing (net debt divided by the regulatory capital value of DCC) for the business to be around 60 per cent.

The 60 per cent. level of gearing was assessed as sufficient to maintain an A grade rating for the Class B Bonds of the Issuer for AMP6, assuming that all other factors remain constant. Appropriate levels of gearing will be reassessed by the company at each subsequent price review.

Customer Distributions

Customer distributions represent the value of the financial headroom made available, by the Glas Group, to be spent on benefits to customers over and above the price control commitments.

Financial headroom is the maximum amount of money which the Glas Group could spend, beyond its current financial plan and later commitments, and still maintain its gearing (net debt to regulatory capital value) target at around 60 per cent.

Future customer distributions will be decided each year by the board, in light of its customer distribution policy which is both financially prudent and consistent with the board of directors' gearing policy, and ensures that value has been earned before it is distributed.

Benefits funded by customer distributions could include additional capital projects, customer rebates, subsidies for low income or vulnerable customers and grants or investments in community projects. This allocation would take into account feedback from an extensive customer engagement and consultation programme called "Have Your Say".

In June 2019 the Glas Group announced a £47 million distribution including £12 million to help low income customers pay their bills and £10 million investment in improving the reliability of specific areas of the water network. This brings total reinvestment for the benefit of customers to around £400 million since 2001.

AMP6 Capital Investment Programme

In the AMP6 period DCC expects to invest approximately £2 billion in capital projects. The capital programme for the AMP6 period includes a targeted increase in the level of maintenance expenditure to reflect the need to maintain DCC's asset base and levels of service, in particular for water quality and environmental protection, and to reduce whole life asset operating costs.

DCC's capital expenditure plans for the AMP6 period have been developed through a long-term asset planning process, which has achieved certification under the PAS55:2008 (now ISO 55000) standard, the most up-to-date asset management specification. The plans, which were set out in the final business plan submitted by DCC to the WSRA in April 2014, included the following:

(i) installation of new and enhanced treatment processes at 11 water treatment works to reduce the risks to the quality of drinking water and acceptability to customers;

(ii) planned capital maintenance across the water asset base to improve current treatment processes, pumping and storage facilities and mains network to protect drinking water quality and quantity and provide added resilience;

(iii) investment at approximately 20 sites to further enhance the standards of bathing and shellfish waters, including undertaking detailed investigations of bathing and shellfish quality at a total of 49 sites so far in AMP6;

(iv) installation of advanced sludge digestion systems at three sites to reduce energy costs and DCC's carbon footprint;

(v) replacement of approximately 500 km of water mains that are causing repeated interruptions of supply to customers;

(vi) establishment of an initial programme to start to remove surface water from DCC's sewers;

(vii) ongoing investment to reduce the incidents of sewer flooding;

(viii) incurring further expenditure on DCC's "IT enabled change" programme to improve efficiency and customer service; and

(ix) investment to supply new housing and enable economic development.

DCC has agreements in place with the following principal capital partners to deliver the capital programme in the AMP6 period: Mott Macdonald Bentley, Morgan Sindall Limited, Skanska Ove Arup & Partners Limited and Arcadis. CGI, Capgemini UK plc and Infosys provide ITC services to DCC.

During the year ended 31 March 2019, DCC incurred £452 million of capital expenditure, before grants and contributions, split broadly equally between water and wastewater. Capital schemes in the year ended 31 March 2019 include £31 million invested in a new water treatment works at Bryn Cowlyd, North Wales and projects amounting to £40 million which will improve DCC's water network, reduce sewer blockages and invest in visitor centres. The £40 million of expenditure is use of reserves i.e. if DCC was a private company, this would have been available as distributions.

As at 31 March 2019, at the end of the fourth year of the current price control period, cumulative aggregate wholesale expenditure ("**Totex**", the sum of operating and capital expenditure) was higher than the amounts allowed at the 2014 periodic review; this includes the impacts of adverse weather, targeting leakage and customer acceptability measures and additional legislative requirements as well as investment funded by customer distributions. Cumulative water supply Totex was £113.3 million higher than the regulator's assumptions while cumulative wastewater Totex was £25.1 million lower (both figures in 2012/13 prices).

Political and Other Developments

- **Renationalisation**

  DCC and the UK water industry generally faces increased scrutiny from regulators and key stakeholders, including the UK Government and other political parties. Following the 2017 UK General Election, there has been continued discussion and public and political comment on renationalisation.

  The UK's official opposition, the UK Labour Party, stated in its manifesto in the 8 June 2017 UK General Election a commitment that, were it to win the General Election, it would transition to publicly owned energy supply networks. Although the UK Labour Party did not win the 2017 UK General Election, it continues to maintain a policy (as confirmed at its party conference in September 2019, and in its policy paper entitled "Bringing Energy Home" published in May 2019) to bring key utilities back into public ownership if elected in the future. Although the UK parliament runs on a fixed term basis the next election is scheduled for December 2019 (see Chapter 2 "*Risk Factors – Risks relating to DCC and its business – Political Policy and other Legislative Risks – 1.9 Renationalisation*").

- **Exit from the European Union**

  On 23 June 2016 the United Kingdom voted to leave the European Union in a referendum and on 29 March 2017 the United Kingdom gave formal notice (the "**Article 50 Notice**") under Article 50 of the Treaty on European Union ("**Article 50**") of its intention to leave the European Union.

  The timing of the UK's exit from the EU remains subject to some uncertainty. Article 50 provides that the EU treaties will cease to apply to the UK two years after the Article 50 Notice unless a withdrawal agreement enters into force earlier or the two year period is extended by unanimous agreement of the UK and the European Council (currently, the period has been extended until 31 January 2020).

  The terms of the UK's exit from the EU are also unclear and will be determined by the negotiations taking place following the Article 50 Notice. It is possible that the UK will leave the EU with no withdrawal agreement in place if no agreement can be reached and approved by all relevant parties within the allotted time. The implications of this for devolved powers and legislation in Wales, particularly with regards to environmental legislation, which has been subject to extensive regulation by the EU, are not yet clear (see

Chapter 2 "*Risk Factors – Risks relating to DCC and its business – Political Policy and other Legislative Risks – 1.10 The UK's exit from the European Union (EU)*").

The Issuer

Introduction

The Issuer was incorporated in England and Wales on 16 April 2019 as a limited liability company, with registered number 11949988. The registered office of the Issuer is Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY, Wales, UK. The Issuer is a wholly owned subsidiary of Holdings and has no subsidiaries.

The Issuer has no employees nor does it own any tangible or physical assets (including, in particular, any real property). Administration and treasury operations are conducted on its behalf by DCC and certain third parties. The telephone number of the principal place of business of the Issuer is +44 (0) 1443 452300.

The Issuer is a special purpose financing vehicle for the purpose of issuing asset-backed securities to facilitate future financing of the operating and capital requirements of DCC through, *inter alia*, the issuance of Bonds and other financial indebtedness.

The Issuer's authorised share capital is £50,001 divided into 50,001 ordinary shares of £1 each. The shares have all been issued. Two shares are fully paid up, and 49,999 shares are partly paid-up.

The Issuer's auditors will be KPMG LLP, a registered auditor and member of the Institute of Chartered Accountants in England and Wales, of 3 Assembly Square, Britannia Quay, Cardiff CF10 4AX (the "**Issuer Auditors**"). In addition to the Bonds issued on the Initial Issue Date, the Second Issue Date, the Third Issue Date, the Fourth Issue Date, the Fifth Issue Date, the Sixth Issue Date and the Seventh Issue Date, the Issuer has entered into (a) the AG Liquidity Facility Agreements to enable it to draw monies in order to fund Liquidity Shortfalls (as defined below); (b) Hedging Agreements (as defined below) in accordance with the hedging policy; and (c) Authorised Loan Facilities (as defined below). The Issuer has also on lent the existing bond issues proceeds under intercompany loans and will on lend the proceeds of any further bond issue under new intercompany loans. (See Chapter 6 "*Financing Structure*" under "*Summary of the Finance Documents*".)

Glas Cymru Holdings Cyfyngedig

Glas Holdings is a private company limited by guarantee. Glas Holdings was incorporated in England and Wales on 15 December 2015 under the Companies Act, with registered number 09917809.

Introduction

Glas Holdings was established as the new holding company of the Glas Group for the sole purpose of enabling the establishment, acquisition and operation of new businesses or ventures by Glas Holdings (or its commercial subsidiaries) in the utility and infrastructure sectors. The insertion of Glas Holdings as the new ultimate holding company of the Glas Group was approved by the DCC Secured Creditors by way of a DCC STID Proposal dated 9 December 2015 and separately implemented, by way of a scheme of arrangement, on 1 March 2016.

The new businesses or ventures of Glas Holdings (or its commercial subsidiaries) are funded using the financial surpluses of DCC, up to a maximum aggregate value of £100,000,000 (indexed) (in order to cap the amount invested in such new businesses at around two per cent. of the Glas Group's regulatory capital value).

For the avoidance of doubt, Glas Holdings is not part of the Glas Group and is therefore not subject to the full package of representations, warranties and covenants that are set out in the Common Terms Agreement. Since Glas Holdings sits outside the Glas Group, it is not a Guarantor of the DCC Secured Liabilities in the same manner as Glas, Glas Securities and Holdings.

The registered office of Glas Holdings is Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY, Wales, UK.

Corporate Governance

The board of directors of Glas Holdings is accountable to the members of Glas Holdings. Glas Holdings currently has 39 members in addition to the directors, who are also members. Members do not receive dividends and, other than their liability to pay £1 upon a winding up of the company, have no financial interest in the company. Members are generally individuals from across the region currently served by DCC with backgrounds in a variety of sectors including industry, commerce, finance, small business, education, health, the environment, charities and local government. The process of selecting members is overseen by an independent membership selection panel in accordance with the company's published membership policy.

Glas Holdings is also subject to the provisions of the UK Companies Acts 2006. In addition, Glas Holdings operates as if it were a publicly listed company in all material respects as regards corporate governance and reporting. It follows the UK Corporate Governance Code and the WSRA's Principles of Board Leadership, Transparency and Governance for water company boards of directors. Its auditor is KPMG LLP, a registered auditor and member of the Institute of Chartered Accountants in England and Wales, of 3 Assembly Square, Britannia Quay, Cardiff CF10 4AX.

DCC has the same board of directors as Glas Holdings. Each of DCC and Glas Holdings has undertaken to maintain a majority of independent non-executive directors on their boards of directors.

Remuneration Policy

The principles and framework of the current Remuneration Policy were approved by Glas members at the Annual General Meeting held on 3 July 2015 and were effective from that date. Glas members reapproved the continuation of the Remuneration Policy for a further period at the 2018 and 2019 Annual General Meetings with an amendment to increase the LTVPS opportunity for the Chief Executive role. The Remuneration Policy aligns executive remuneration with the implementation of DCC's strategy to deliver the best possible outcomes for its customers and to protect the environment. Under the policy, remuneration is linked to performance both annually and over the five year regulatory period that commenced in April 2015. A new Remuneration Policy will be presented to Glas members for approval at the 2020 Annual General Meeting intended to take effect from April 2020 (being the start of the next five-year regulatory period).

The Remuneration Policy is implemented to ensure that:

(i) levels of base salary and total remuneration (when assessed periodically against the market) are considered to be fair and competitive having regard to an individual's experience and responsibility, in order to attract and retain necessary skills and talent;

(ii) performance is improved by encouraging a significant proportion of total remuneration being paid as variable pay, while balancing this with base salary to ensure that excessive risk-taking is not incentivised;

(iii) incentives are focused on the relative performance of DCC when benchmarked against other companies by the WSRA and other regulators, in order to incentivise sector-leading performance in a transparent and accountable way; and

(iv) the LTVPS is focused on the long term strategic and financial performance of DCC.

The terms of reference for the Remuneration Committee provide that it will have oversight of the remuneration arrangements across the business as a whole. The Remuneration Committee also considers the impact of the policy in light of the broader social, environmental and not for shareholder status of the company.

DCC negotiates salaries for the wider workforce with three recognised trade unions by means of a single table approach. The Remuneration Committee considers the agreed increase for the wider employee base and also

reviews market practice and conditions. The Measures of Success and cost elements which form the basis of the AVPS for executive directors and the wider executive team are also the basis of variable pay arrangements across the organisation. The Remuneration Committee does not formally consult with employees on executive pay, but does regularly seek the views of the People and Change Director and takes into account views expressed in dialogue with Glas members and information about employee views.

Annual Variable Pay Scheme ("AVPS")

The maximum variable pay that executive directors can earn under the AVPS in 2019-20 equates to 100 per cent. of base salary. The achievement of variable pay is assessed across five components, consistent with the way the AVPS was operated in 2018-19. Note that all components are equally weighted at 20 per cent each as illustrated below.

Component	Description
Personal	Individual objectives relating to each role
Annual focus for 2019-20	Measures of success taken from the PR14 business plan: reliability of supply; customer acceptability; treating used water
Cost	Total expenditure (Totex) to reduce costs including bad debt
Compliance	Key measures of success taken from the PR14 business plan: safety of drinking water; treating used water; preventing pollution; leakage; asset serviceability
Customer	Key measure of success taken from the PR14 business plan: business customer satisfaction; customer acceptability; reliability of supply; properties flooded in the year; net promoter score; complaints

Long Term Variable Pay Scheme ("LTVPS")

The objective of the LTVPS is to align the longer term aspects of total remuneration with DCC's performance over the course of the five year regulatory period ending on 31 March 2020. The awards comprise a cash payment. Under the LTVPS, awards can be made on the basis of performance against the following two discrete measures:

(i) a Customer Value Award, which combines two financial measures of the increase in Reserves (regulatory capital value less net debt) and Transfers to Customer Reserves (representing amounts available for Customer Distributions) over the regulatory period. The increase in Reserves (as a measure of financial position) and the transfers to the Customer Reserves (as a measure of financial flows), calculated separately but added together, captures the total value generated for customers (returned and retained) by the Glas Group. This combined measure remains specific to the Glas Group targets which are aligned with the five year business plan; and

(ii) a Customer Service Award, which is measured by DCC's average ranking in the WSRA league table for SIM over a rolling three year period. The Customer Service Award is therefore informed by, and rewards, DCC's performance relative to similar companies in the sector.

Historically, SIM was used for the Customer Service Award and comprised two measures of customer service: a qualitative measure reflecting the results of independent research carried out on behalf of the WSRA to capture customer satisfaction with the service they have received; and a quantitative measure which covers customer complaints and unwanted calls. However, given the WSRA has ceased to use SIM to measure customer service, the Glas Holdings Remuneration Committee resolved to replace SIM as the customer service satisfaction target for 2019-20 with the WSRA's proxy SIM measure for 2019-20.

The maximum variable pay that executive directors can earn under the LTVPS is 100% of base salary for the role of Chief Executive (increase in maximum opportunity approved by Glas members at the 2019 AGM) and 60% of base salary for the Managing Director and Finance Director.

The LTVPS performance targets reflect the Board's ambition that DCC should rank alongside the leading companies in the industry on key measures for customer service and long term financial efficiency for the benefit of customers.

Acquisitions

The new businesses or ventures of Glas Holdings (or its commercial subsidiaries) are funded using the financial surpluses of DCC, up to a maximum aggregate value of £100,000,000 (indexed) (in order to cap the amount invested in such new businesses at around two per cent of the Glas Group's regulatory capital value). On 19 December 2017 the Glas Group acquired all of the shares in Welsh Water Organic Energy and Welsh Water Organic Energy (Cardiff) Limited. Collectively, the companies recycle food and green waste under a contract with Cardiff Council and the Vale of Glamorgan Council, and maintain an anaerobic digestion food waste facility, thus securing electricity production for DCC's Cardiff Wastewater Treatment Works site.

Glas Cymru Anghyfyngedig

Glas was incorporated in England and Wales on 13 April 2000 as a private company limited by guarantee under the Companies Act, with registered number 03975719. On 8 March 2016, Glas was re-registered as a private unlimited company.

Introduction

Glas was established for the sole purpose of acquiring and owning DCC, and on 11 May 2001, Glas acquired DCC through its intermediate holding company, Glas Securities.

The registered office of Glas is Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY, Wales, UK.

Glas has no employees and does not own any tangible or physical assets (including, in particular, any real property) other than its shares in Glas Securities.

The principal activity of Glas is to hold the shares of Glas Securities and to enter into certain documents incidental to the Programme.

The auditor of Glas is KPMG LLP, Chartered Accountants and Registered Auditors, of 3 Assembly Square, Britannia Quay, Cardiff, CF10 4AX (the "**Glas Auditors**" and together with the DCC Auditors and Issuer Auditors, the "**Glas Group Auditors**"). The accounting reference date of Glas is 31 March and the latest audited accounts, prepared under IFRS, are for the year ended 31 March 2019 which, together with those for the period ended 31 March 2018 are incorporated by reference into this Prospectus.

Glas Cymru (Securities) Cyfyngedig

Glas Securities was incorporated in England and Wales on 21 December 2000 as a private limited company under the Companies Act, with registered number 4129132 and is a wholly owned subsidiary of Glas.

Glas Securities has no employees nor does it own any tangible or physical assets (including, in particular, any real property).

The principal activity of Glas Securities is to hold the shares of Holdings and to enter into certain documents necessary to effect the acquisition of DCC and all documents incidental to the Programme.

Glas Securities' authorised share capital is £100 divided into 100 ordinary shares of £1 each. One such ordinary share has been issued and is fully paid-up and held by Glas. As at the date of this Prospectus, Glas Securities owes £1.4 million to Glas under an inter-company balance, representing its net acquisition cost of Holdings.

Dŵr Cymru (Holdings) Limited

Holdings was incorporated in England and Wales on 23 March 2000 as a limited liability company under the Companies Act, with registered number 3954867 and is a wholly owned subsidiary of Glas Securities.

Holdings has no employees and does not own any tangible or physical assets (including, in particular, any real property) other than its shares in DCC and the Issuer (each of which is a wholly owned subsidiary).

The principal activity of Holdings is to hold the shares of DCC and the Issuer, and to enter into certain documents incidental to the Programme.

Holdings authorised share capital is £31,000 divided into 1000 ordinary shares of £1 each and 30,000 redeemable preferred ordinary (non-voting) shares of £1 each.

The issued share capital is £30,001 (1 ordinary share and 30,000 redeemable preferred ordinary (non-voting) shares owned by Glas Securities).

Management of Glas Holdings, DCC and the Issuer

The most recently announced changes to the board include: Peter Bridgewater will stand down at the end of 2019 as Finance and Commercial Director after five years on the Board. His finance and commercial responsibilities will be taken up by Mike Davis, currently Dŵr Cymru Welsh Water's Director of Strategy and Regulation, who will join the Board in the role of Chief Financial Officer effective 1 January 2020. Chris Jones, Chief Executive, announced his decision to retire at the end of March 2020. Peter Perry, currently Managing Director, will take over as Chief Executive from 1 April 2020.

The non-executive directors of Glas Holdings and DCC are:

Alastair Lyons CBE (Chairman)

Alastair Lyons is the Non-Executive Chairman of Glas Holdings and DCC and also of the Harworth Group plc, Vitality Health, Admiral Europe Compania de Seguros, and the Eaton House Schools Group. Previously he was Non-Executive Chairman of the Admiral Group, the Serco Group, and Towergate Insurance, and Deputy Chairman of the Bovis Homes Group. In his executive career Alastair was Chief Executive of the National & Provincial Building Society and the National Provident Institution and Director of Corporate Projects at NatWest Bank. He was awarded the CBE in 2001 for services to social security having served as a Non-Executive Director of both the Department for Work & Pensions and the Department of Transport.

Menna Richards OBE (Senior Independent Director)

Menna's executive career was in broadcasting, as Director of BBC Cymru Wales (2000—2011) and prior to that as Managing Director of HTV Wales. Menna previously served as Non-Execuive Director of Principality Building Society and the Welsh National Opera and as Chair of the Governors of the Royal Welsh College of Music and Drama. She is currently Chair of the ALOUD charity and Vice President of the Royal Welsh College of Music and Drama.

Graham Edwards

Chief Executive Officer of Wales & West Utilities and Board member of the University of South Wales. Graham has significant senior management experience in the utility sector running electricity distribution and water businesses with South Wales Electricity, Hyder and Thames Water. Prior to working in utilities he held senior positions in various functions across a wide range of manufacturing businesses including engineering, production and human resources. His previous Non-Executive Director appointments include Chair of CBI Wales and Business in the Community Wales and Non-Executive Director of The Royal Welsh College of Music and Drama.

Anna Walker CB

Anna is currently a member of the Competition Appeal Tribunal, a Non-Executive Director for South London and the Maudsley NHS Foundation Trust and Chair of St. George's Hospital Charity. She has a wealth of experience in regulation, customer service, policy-making and working with governments. Anna undertook an independent review for government in 2008 into household water charging. Her former roles include Deputy Chair of the Council of Which?, Office of Rail and Road (2009-2015), Chief Executive of the Healthcare Commission (2004¬2009), Director General, Land Use and Rural Affairs at DEFRA, Director General, Energy Group at DTI, and Deputy Director General at Oftel, the telecoms sector regulator.

Joanne Kenrick

Joanne was the Marketing Director for Homebase until the end of 2015. Prior to that, Joanne was CEO of Start, setting up and running HRH the Prince of Wales' public facing initiative for a more sustainable future. Other former roles include Marketing and Customer Proposition Director for B&Q, Marketing Director for the National Lottery, and Group Sales and Marketing Director at Wilson Connolly. She has also worked for Woolworths, Asda, Pepsico and Masterfoods. Joanne is currently the Senior Independent Director and Chair of the Remuneration Committee at Coventry Building Society, a Non-Executive Director of Safestore, the UK's largest self-storage business, and independent Chair of the Current Account Switch, Cash ISA Switch, and PayM Mobile Payments Services for Pay.UK and Chairman of the Trustees of the children's charity Make Some Noise.

John Warren

John is a qualified accountant with more than 25 years' experience in finance roles and has extensive experience in chairing Audit Committees of major UK listed companies. Until his retirement in 2005, he was Group Finance Director for WH Smith PLC and, before that, United Biscuits (Holdings) Plc. John is currently a Non-Executive Director and Chairman of the Audit Committee for Greencore Group plc, 4imprint Group plc and Bloomsbury Publishing Plc. His former appointments as Non-Executive Director and Chairman of the Audit Committee include Spectris plc, Rexam Plc, Bovis Homes Group PLC, Rank Group Plc, Uniq Plc, Arla Foods UK plc, and BPP Holdings plc.

Thomas Crick MBE

Tom is Professor of Digital Education & Policy at Swansea University, with his academic interests sitting at the research/policy interface, from data science through to digital public services. He has provided expert advice to the Welsh and UK Governments across a number of policy areas and is currently a Commissioner of the National Infrastructure Commission for Wales, as well as a non-executive director of Swansea Bay University Health Board. Tom was appointed MBE in the 2017 Birthday Honours for services to computer science and the promotion of computer science education.

Executive Directors of Glas Holdings and DCC:

The executive directors of both Glas Holdings and DCC are Christopher Jones, Peter Bridgewater and Peter Perry. The company secretary for both companies is Nicola Williams. The business address of each of the non-executive directors, executive directors and the company secretary is the registered office of Glas Holdings, Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY Wales, UK.

No director or the company secretary of either of Glas Holdings or DCC has any actual or potential conflict of interest between his or her duties to Glas Holdings or DCC and his or her private interests or other duties.

Directors of the Issuer:

The directors of the Issuer are Christopher Jones, Peter Bridgewater and Peter Perry. The Issuer's company secretary is Nicola Williams.

Christopher Jones

Christopher is one of the two founder directors of Glas Cymru in 2000. He previously served as Finance Director of Welsh Water and before that as Director of Regulation of Welsh Water and South Wales Electricity plc. Before joining Welsh Water in 1995, he was a Director at National Economic Research Associates and, prior to that, worked for HM Treasury. He also currently holds the position of Deputy Chairman of the Prince's Trust Cymru Advisory Committee. His other former appointments include as Non-Executive Director of the Principality Building Society and Trustee of the Institute of Welsh Affairs.

Peter Bridgewater

Peter joined Dŵr Cymru Welsh Water in 2014 having had 15 years' experience in Finance and Managing Director roles across the energy and water sectors in the UK and overseas. He is currently also a Trustee of Tylorstown Welfare Hall Limited and a former non-executive director of Ebico Limited, a not-for-profit gas and electricity provider.

Peter Perry

Peter has worked for Dŵr Cymru Welsh Water for more than 20 years over the course of his career. He currently does not hold any non-executive directorship positions.

The business address of each of the directors and the company secretary of the Issuer is the registered office of Glas Holdings at Pentwyn Road, Nelson, Treharris, Mid Glamorgan, CF46 6LY Wales, UK.

No director or the company secretary of the Issuer has any actual or potential conflict of interest between his or her duties to the Issuer and his or her private interests or other duties.

CHAPTER 5
WATER REGULATION

Water Regulation Generally

Regulatory Framework

The activities of Undertakers are principally regulated by the provisions of the WIA and the regulations made under the WIA and the Conditions of Appointment. Under the WIA, the Secretary of State has a duty to ensure that at all times there is an appointed Undertaker for every area of England and Wales. Appointments may be made by the Secretary of State or in accordance with a general authorisation given by the Secretary of State to the WSRA.

The WSRA (also commonly known as Ofwat), a non-ministerial government department, is the economic regulator for water and wastewater in England and Wales and is responsible for, *inter alia*, setting price controls and monitoring and enforcing Conditions of Appointment. In relation to DCC's, Hafren Dyfrdwy's, and Albion Eco Limited's areas of appointment, certain of the powers of the Secretary of State have been transferred to the Welsh Government.

Undertakers are required by their Conditions of Appointment to make an annual return to the WSRA (including accounts and financial information) to enable the WSRA to assess their affairs. The two principal quality regulators are the Drinking Water Inspectorate (the "**DWI**"), which is part of the Department for the Environment, Food and Rural Affairs ("**DEFRA**"), and NRW. The Consumer Council for Water ("**CCW**") provides advice and support to customers, promotes the interests of customers more widely, and assists in the resolution of customer complaints.

The WSRA and the Secretary of State

The chairman and other members of the WSRA are appointed for fixed terms by the Secretary of State (in consultation with the Welsh Government). They are independent of government ministers and may only be removed for incapacity or misbehaviour.

Duties of the WSRA and the Secretary of State

Each of the Secretary of State and the WSRA has a primary duty under the WIA to exercise and perform their powers and duties under the WIA in the manner they consider best calculated to:

(i) further the consumer objective which is to protect the interests of consumers (particularly certain specified categories), wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the provision of water and sewerage services;

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

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

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

(v) further the resilience objective, which is to secure the long-term resilience of water supply and sewerage systems and services.

Subject to these primary duties, each of the Secretary of State and the WSRA has a number of secondary duties. These include requirements to exercise and perform their powers and duties in the manner they consider best calculated to:

(i) protect the interests of customers and potential customers in respect of the showing of undue discrimination or preference in the setting of charges, the benefits that could be secured from the proceeds of disposal of certain land, and in respect of the carrying out of activities which are not attributable to the exercise of an Undertaker's statutory functions; and

(ii) promote economy and efficiency on the part of Undertakers and contribute to the achievement of sustainable development.

The Welsh Government

The Welsh Government (previously known as the Welsh Assembly Government) is the devolved government for Wales.

The majority of the functions of the Secretary of State set out in the WIA are transferred, in as far as they relate to Undertakers whose areas are wholly or mainly in Wales, to the Welsh Government.

Those duties, powers and functions transferred include:

(i) general duties with respect to the water industry;

(ii) the power to publish a Strategic Policy Statement setting out the priorities and objectives in accordance with which the WSRA is required to carry out its functions;

(iii) the power to appoint (or to consent or give a general authorisation for the WSRA to appoint) an Undertaker;

(iv) the right to petition for special administration orders;

(v) enforcement of the various duties of the Undertakers;

(vi) the making of regulations on standards of performance;

(vii) the power to impose financial penalties on Undertakers for contraventions of certain obligations;

(viii) the power to institute proceedings for the offence of supplying water unfit for human consumption; and

(ix) authorising the giving of financial assistance to, or guaranteeing the financial obligations of (in each case with the consent of the Treasury), a company where a special administration order is in force.

The Welsh Government also has certain powers to make new legislation in respect of Water and Flood Defences.

Nothing in the provisions for transferring functions to the Welsh Government affects the role of the WSRA, which retains the same regulatory functions and powers in respect of DCC as it possesses in respect of Undertakers in England.

Under the Wales Act 2017, the geographical scope of the Welsh Government's role will be adjusted as to align with the national boundary, thereby excluding those parts of DCC's area that are situated within England which will then fall under the UK Government. The Wales Act 2017 provides for the agreement of a protocol between the two governments to ensure that the effect of the exercise of powers by either government does not have a serious adverse impact on water resources, water quality or water supply on the other side of the border, and this came into effect on 1 April 2018. However, the geographical re-alignment of the Welsh Government's role has not yet been implemented as of the date of this Prospectus.

Variation and Termination of an Appointment

There are certain circumstances in which an Undertaker could cease to hold the Appointment for all or part of its area:

- an Undertaker could consent to the making of a replacement appointment or variation, which changes its appointed area, and the WSRA has the authority to appoint a new Undertaker;
- under Condition O of the Instrument of Appointment, provided at least 25 years' notice has been given by the Welsh Ministers;
- under the provisions of the special administration regime (the Instrument of Appointment may be terminated and the special administrator may transfer the business to a successor (see "*Special Administration Orders*" below)); or
- by the granting of an "**inset**" appointment over part of an Undertaker's existing appointed area to another Undertaker (see below for further details).

Before making an appointment or variation, the WSRA or the Secretary of State must consider any representations or objections made. In making an appointment or variation replacing an Undertaker and where the Secretary of State or the WSRA is to determine what provision should be made for fixing charges, it is the duty of the Secretary of State or the WSRA to ensure, so far as may be consistent with their duties under the WIA, that the interests of the members and creditors of the existing Undertaker are not unfairly prejudiced as regards the terms on which the new Undertaker could accept transfers of property, rights and liabilities from the existing Undertaker.

An "**inset**" appointment can be granted to a company seeking to provide water and/or sewerage services on a greenfield site, or to a large user of water and/or sewerage services within an existing Undertaker's area, or where the incumbent Undertaker consents to the variation. The volume threshold for large user insets has been reduced to 50 megalitres per annum in England but remains at 250 megalitres per annum in Wales.

Conditions of an Appointment may be modified in accordance with the procedures laid down in the WIA. Subject to a power of veto in certain circumstances by the Secretary of State, the WSRA may modify the conditions in an Appointment with the consent of the Undertaker concerned. Before making the modifications, the WSRA must publish the proposed modifications as part of a consultation process, giving third parties the opportunity to make representations and objections which the WSRA must consider. In the absence of consent or primary legislation, the WSRA can secure a modification through a modification reference to the CMA. To date, the WSRA has never used its power to refer an Appointment amendment to the CMA. A modification reference may also be required in the event of a direction from the Secretary of State to the effect that, *inter alia*, in his view, the modifications should only be made, if at all, following a reference to the CMA.

A modification reference requires the CMA to investigate and report on whether matters specified in the reference operate, or may be expected to operate, against the public interest and, if so, whether the adverse public interest effect of those matters could be remedied or prevented by modification of the conditions of the Appointment. In determining whether any particular matter operates or may be expected to operate against the public interest, the CMA is to have regard to the matters in relation to which duties are imposed on the Secretary of State and the WSRA.

If there is an adverse finding, the CMA's report will state whether any adverse effects on the public interest could be remedied or prevented by modification of the Appointment. If the CMA so concludes, the WSRA must then make such modifications to the Appointment as appear to it necessary to remedy or prevent the adverse effects specified in the report whilst having regard to the modifications specified therein and after giving due notice and consideration to any representations and objections.

If it appears to the CMA that the proposed modifications are not requisite for the purpose of remedying or preventing the adverse effects specified in its report, the CMA has the power to substitute its own modifications which are requisite for the purpose.

It is possible for primary legislation to confer on the WSRA the power to modify Appointments without the consent of the Undertaker albeit that this is usually a time-limited power and any modification must usually be made in accordance with, and as a direct consequence of, a provision of such primary legislation.

Enforcement Orders

The general duties of Undertakers are enforceable by the Secretary of State or the WSRA or both, although, in the case of DCC, certain of the enforcement duties, in as far as they relate to Wales, have been transferred to the Welsh Government. Conditions of Appointment (and other duties) are enforceable by the WSRA alone whilst other duties, including those relating to water quality, are enforceable by the Secretary of State.

Where the Secretary of State or the WSRA is satisfied that an Undertaker is contravening, or is likely to contravene, a Condition of its Appointment, or a relevant statutory or other requirement, either the Secretary of State or the WSRA must make a final enforcement order to secure compliance with that condition or requirement, save that where it appears to the Secretary of State or the WSRA more appropriate to make a provisional enforcement order, they may do so. In determining whether a provisional enforcement order should be made, the Secretary of State or the WSRA shall have regard to the extent to which any person is likely to sustain loss or damage as a consequence of such breach before a final enforcement order is made. The Secretary of State or the WSRA will confirm a provisional enforcement order if satisfied that the provision made by the order is needed to ensure compliance.

There are exemptions from the Secretary of State's and the WSRA's duty to make an enforcement order or to confirm a provisional enforcement order:

- where the contraventions were, or the apprehended contraventions are, of a trivial nature;
- where the company has given, and is complying with, an undertaking to secure or facilitate compliance with the condition or requirement in question; or
- where duties in the WIA preclude the making or confirmation of the order.

In addition, the WIA provides the WSRA, the Secretary of State and the Welsh Government with the power to impose financial penalties on an Undertaker for contraventions of its Conditions of Appointment and statutory or other requirements including performance standards. Penalties may be as high as 10 per cent. of an Undertaker's turnover, but they must be reasonable in all circumstances. Each of the above enforcement authorities is required to publish a statement of policy on the imposition of penalties, and to have regard to that statement when implementing the new provisions.

Special Administration Orders

The WIA contains provisions enabling the Secretary of State or the WSRA to secure the general continuity of water supply and sewerage services. In certain specified circumstances, the High Court (the "**Court**") may, on the application of the Secretary of State or, with his consent, the WSRA, make a special administration order in relation to an Undertaker and appoint a special administrator. These circumstances include:

- where there has been, or is likely to be, a breach by an Undertaker of either its principal duties to supply water or provide sewerage services or of a final or confirmed provisional enforcement order and, in either case, the breach is serious enough to make it inappropriate for the Undertaker to continue to hold its Instrument of Appointment;
- where the Undertaker is, or is likely to be, unable to pay its debts;
- where, in a case in which the Secretary of State has certified that it would be appropriate, but for Section 25 of the WIA, for him to petition for the winding up of the Undertaker under Section 440 of the Companies Act 1985 it would be just and equitable, as mentioned in that section, for the Undertaker to be wound up if it did not hold an Appointment; and

- where the Undertaker is unable or unwilling adequately to participate in arrangements certified by the Secretary of State or the WSRA to be necessary by reason of, or in connection with, the appointment of a new Undertaker upon termination or variation of the existing Undertaker's Appointment.

In addition, on an application being made to Court, whether by the Undertaker itself or by its directors, creditors or contributories, for the compulsory winding up of the Undertaker, the Court would not be entitled to make a winding up order; however, if satisfied that it would be appropriate to make such an order if the Undertaker were not a company holding an Instrument of Appointment, the Court shall instead make a special administration order.

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

Once a special administration order has been made, any petition presented for the winding up of the company will be dismissed and any receiver appointed, removed. Whilst a special administration order is in force, those restrictions imposed during the special administration petition period continue with some modification: an administrative receiver can no longer be appointed (with or without the leave of the Court) and, where any action does require the Court's leave, the consent of the special administrator is acceptable in its place (see "*Restrictions on the enforcement of security*" below).

A special administrator has extensive powers under the WIA similar to those of an administrator under UK insolvency law applicable to companies which are not Undertakers, but with certain important differences. A special administrator would be charged with managing the affairs, business and property of the Undertaker: (i) for the achievement of the purposes of the special administration order; and (ii) in such a manner as to protect the respective interests of the members and creditors of the Undertaker. The purposes of the special administration order consist of: (a) transferring to one or more different Undertakers, as a going concern, as much of the business of the Undertaker as is necessary in order to ensure that the functions which have been vested in the Undertaker by virtue of its Instrument of Appointment are properly carried out; and (b) pending the transfer, the carrying out of those functions. Where a special administration order is made on the grounds that the Undertaker is, or is likely to be unable to pay its debts, the purpose of the special administration regime also consists of the rescue of the Undertaker as a going concern. It would therefore not be open to him to accept an offer to purchase the assets on a break-up basis in circumstances where the purchaser would be unable properly to carry out the relevant functions of an Undertaker.

The powers of a special administrator include, as part of a transfer scheme, the ability to make modifications to the Conditions of Appointment of the existing Undertaker, subject to the approval of the Secretary of State or the WSRA. The special administrator agrees the terms of the transfer of the existing Undertaker's business to the new Undertaker(s), on behalf of the existing Undertaker. The transfer is effected by a transfer scheme which the special administrator puts in place on behalf of the existing Undertaker. The transfer scheme may provide for the transfer of the property, rights and liabilities of the existing Undertaker to the new Undertaker(s) and may also provide for the transfer of the existing Undertaker's Instrument of Appointment (with modifications as set out in the transfer scheme) to the new Undertaker(s). The powers of a special administrator include the right to seek a review by the WSRA of the Undertaker's charges pursuant to an Interim Determination of a price control or a Substantial Effects Clause. To take effect, the transfer scheme must be approved by the Secretary of State or the WSRA. In addition, the Secretary of State and the WSRA may modify a transfer scheme before approving it or at any time afterwards with the consent of the special administrator and each new Undertaker.

The WIA also grants the Secretary of State, with the approval of the Treasury: (i) the power to make appropriate grants or loans to achieve the purposes of the special administration order or to indemnify the

special administrator against losses or damages sustained in connection with the carrying out of his functions; and (ii) to guarantee the payment of principal or interest or the discharge of any other financial obligations in connection with any borrowings of the Undertaker subject to a special administration order.

"**Substantial Effects Clause**" for the purposes of this paragraph means a clause which may be contained in the Instrument of Appointment of a regulated company and which in the case of DCC is contained in Part IV of Instrument of Appointment Condition B, pursuant to which the regulated company may, if so permitted by the conditions of its Instrument of Appointment, request price limits to be reset if the Appointed Business either (i) suffers a substantial adverse effect which could not have been avoided by prudent management action or (ii) enjoys a substantial favourable effect which is fortuitous and not attributable to prudent management action.

Security

Restrictions on the granting of security

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

In addition, provisions in the Conditions of Appointment require the Undertaker at all times:

- to ensure, so far as is reasonably practicable, that if a special administration order were made in respect of it, it would have sufficient rights and assets (other than financial resources) to enable the special administrator to manage its affairs, business and property so that the purpose of such an order could be achieved; and
- to act in the manner best calculated to ensure that it has adequate: (i) financial resources and facilities; (ii) management resources; and (iii) systems planning and internal control, to enable it to carry out its regulated activities.

These provisions may further limit the ability of DCC to grant security over its assets and may limit in practice the ability to enforce such security.

Restrictions on the enforcement of security

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

Once a special administrator has been appointed, he would have the power, without requiring the Court's consent, to deal with property charged pursuant to a floating charge as if it were not so charged. When such

property is disposed of under this power, the proceeds of the disposal would, however, be treated as if subject to a floating charge which had the same priority as that afforded by the original floating charge.

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

Within three months of the making of a special administration order or such longer period as the Court may allow, the special administrator must send a copy of his proposals for achieving the purposes of the order to, *inter alia*, the Secretary of State, the WSRA and the creditors of the company. The creditors' approval to the special administrator's proposal is not required at any specially convened meeting (unlike in the conduct of a conventional administration for a non-Undertaker under UK insolvency legislation); however, notwithstanding this, the interests of creditors and members in a special administration are still capable of being protected since they have the right to apply to the Court if they consider that their interests are being prejudiced. Such an application may be made by the creditors or members by petition for an order on a number of grounds, including either: (i) that the Undertaker's affairs, business and property are being or have been managed by the special administrator in a manner which is unfairly prejudicial to the interests of its creditors or members; or (ii) that any actual or proposed act of the special administrator is/or would be so prejudicial. Any order made by the Court may include an order to require the special administrator to refrain from doing or continuing an act about which there has been a complaint.

Enforcement of Security over Shares in DCC

Under the WIA, the enforcement of security over, and the subsequent sale of, directly or indirectly, the shares in any group company, including the holding company of an Undertaker such as DCC, would not be subject to the restrictions described above in relation to the security over DCC's business and assets. Notwithstanding this, given the WSRA's general duties under the WIA to exercise and perform its powers and duties, *inter alia*, to ensure that the functions of an Undertaker are properly carried out, the Issuer anticipates that any intended enforcement either directly or indirectly of the Guarantor Security (as defined below) or the security over, and subsequently any planned disposal of, the shares in DCC to a third party purchaser, would require consultation with the WSRA's. In addition, depending on the circumstances, the merger control provisions could apply in respect of any such disposal.

Economic Regulation

Overview

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

Form of price controls

DCC is currently subject to four price controls. The Wholesale Water and Wholesale Wastewater controls take the form of annual revenue caps which are adjusted in line with movements in RPI ("RPI") plus an adjustment factor which may be positive, negative or zero ("**K**"). K is a number set for each price control for each Undertaker, and may be a different number in different years. The Household Retail Control and the

Non-Household Retail Control each take the form of an average allowed revenue per customer set for each year of the control, with no adjustments for inflation.

Periodic reviews

Price controls are generally set by the WSRA for a five-year period at periodic reviews. As part of periodic review determinations, the WSRA also sets values for the Regulatory Asset Value ("**RAV**") for each of Wholesale Water and Wholesale Wastewater for each year of the price control period.

Measures of Success and Outcome Delivery Incentives

For the current five-year period the WSRA introduced a new framework to incentivise the delivery of certain outcomes (see chapter 4 "*DCC, The Issuer, The Glas Group and Glas Holdings*" under "*Measures of Success*"). The price control determinations set targets across a range of performance measures, together with a system of Outcome Delivery Incentives ("**ODIs**") which include provision for financial rewards where certain targets are exceeded and financial penalties where performance on certain measures falls short. The aggregate rewards and penalties for each wholesale control were broadly capped at plus or minus 2 per cent. of the Return on Regulatory Equity ("**RoRE**"), as calculated using the WSRA's final determination financial model.

PR19 Draft Determination

The periodic review currently under way will culminate in the determination of price controls for the period 1 April 2020 to 31 March 2025. On 18 July 2019 the WSRA published its Draft Determination (the "**DD**") for DCC. Notable features include the following:

- the Wholesale Water price control is to be sub-divided into a Water Resources price control and a Water Network Plus price control. The Wholesale Wastewater price control is to be sub-divided into a Bioresources price control and a Wastewater Network Plus price control. Consequently DCC will be subject to six separate price controls in total. Part of the WSRA's reasoning for establishing separate Water Resources and Bioresources price controls is to facilitate a greater role for market forces in those segments in the future;
- the use of RPI as the basis for indexation for price controls is to be discontinued, and CPIH will be used instead;
- 50 per cent. of the RAV as at 1 April 2020 will continue to be indexed in line with RPI for the five year period. The remainder, together with new additions to the RAV, will be indexed in line with CPIH. The WSRA has indicated that it intends to phase out the use of RPI completely in due course;
- the allowed rate of return is 3.08 per cent. on the CPIH-indexed portion of the RAV, and 2.08per cent. on the RPI-indexed portion of the RAV;
- the DD reflects a cost challenge of around 16 per cent. compared with DCC's Business Plan;
- the proposed new water treatment works at Merthyr Tydfil in South Wales may be suitable for Direct Procurement for Customers (DPC) and thus would be financed separately from the Water Network Plus price control;
- any out-performance of costs during the price control period will be shared approximately 35 per cent. to the company, 65 per cent. to customers. Any cost under-performance will be shared approximately 65 per cent. to the company, 35 per cent. to customers;
- at the same time, the WSRA has proposed performance targets that are more stretching than those proposed by DCC; and
- taken as a package, the ODIs put forward in the DD would be expected to deliver a RoRE range of minus 1.50 per cent. to plus 0.42 per cent.

On 30 August 2019 DCC submitted its representations on the DD to the WSRA. The final determination is due to be published on 11 December 2019. All aspects of the DD are subject to revision, including the allowed rate of return.

Interim Determinations of Price Controls

The Conditions of Appointment provide for the WSRA to determine in certain circumstances whether, and if so how, one or more price controls should be changed between periodic reviews (an "**Interim Determination**"). The procedure for Interim Determinations of Price Controls can be initiated either by the Undertaker or by the WSRA. An application for an Interim Determination may be made in respect of a Notified Item (see below) or a Relevant Change of Circumstance (see below).

A "**Notified Item**" is any item formally notified by the WSRA to the Undertaker as not having been allowed for in an existing Price Control. One Notified Item was put forward by the WSRA in the determination of price controls for the period 2015 to 2020, namely deviations in the cost of business rates for water supply arising out of the new central non-domestic rating list introduced on 1 April 2017 compared with the assumptions made at the 2014 periodic review.

"**Relevant Changes of Circumstance**" are defined in the Conditions of Appointment. (See Chapter 4 "*DCC, the Issuer, the Glas Group and Glas Holdings*" under "*Regulation*" for further details of the Conditions of Appointment.) Such changes include: (i) the application to the Undertaker of any new or changed legal requirement (including any legal requirement ceasing to apply, being withdrawn or not being renewed); (ii) any difference in value between actual or anticipated proceeds of disposals of protected land and those allowed for at the last periodic review or Interim Determination; and (iii) the amounts assumed in K for the necessary costs of securing or facilitating compliance with a legal requirement or achieving a service standard where the Undertaker has failed to: (a) carry out the necessary works; (b) spend the amount which it was assumed would be spent; and (c) achieve the stated purpose.

An Interim Determination takes account of the costs, receipts and savings which are reasonably attributable to the Notified Items or the Relevant Changes of Circumstance in question. The amount and timing of the costs, receipts and savings must be appropriate and reasonable for the Undertaker in all the circumstances and they must exclude: trivial amounts, any costs which would have been avoided by prudent management action, any savings achieved by management action over and above those which would have been achieved by prudent management action, and any amounts previously allowed for in determining price controls. These costs are then netted off against the receipts and savings to determine the base cash flows for each year (the "**Base Cash Flows**").

The Conditions of Appointment also specify a materiality threshold which must be reached before any adjustment to price controls can be made. In relation to condition B of certain Undertakers' appointments (including that of DCC) this materiality threshold is reached where the sum of the net present values of (i) Base Cash Flows consisting of operating expenditure and/or loss of revenue calculated over 15 years and (ii) other Base Cash Flows calculated over the period to the next periodic review, is equal to at least 10 per cent. of the latest reported turnover attributable to the Undertaker's water and sewerage business. An adjustment to one or more price controls (which may be up or down) is then calculated on the basis of a formula, set out in condition B, which is broadly designed to enable the Undertaker to recover the Base Cash Flows. The change is then made for the remainder of the period up to the start of the first charging year of the next price control period.

Substantial Adverse or Favourable Effects – "Shipwreck" Clause

DCC, along with certain other Undertakers may, under condition B.14.3 of its Instrument of Appointment (the "**shipwreck clause**"), request an adjustment to one or more price controls if the regulated business suffers a substantial adverse effect which could not have been avoided by prudent management action. The WSRA may also propose to reset price limits if DCC enjoys a substantial favourable effect which is fortuitous and not attributable to prudent management action. For the purpose of this clause the materiality threshold is equal to,

but no more than, 20 per cent. of the latest reported turnover attributable to the Undertaker's water and sewerage business.

References to the CMA

If the WSRA fails within specified periods to make a determination at a Periodic Review or in respect of an interim determination or if the Undertaker disputes its determination, the Undertaker can require the WSRA to refer the matter to the CMA for determination by it after making an investigation. The CMA must make its determination in accordance with any regulations made by the Secretary of State and with the principles which apply, by virtue of the WIA, in relation to determinations made by the WSRA. The decisions of the CMA are binding on the WSRA.

Drinking Water and Environmental Regulation

The water industry is subject to numerous regulatory requirements concerning the protection of the environment and human health and safety, many of which stem from EU law. Responsibility for day-to-day regulation of drinking water quality lies with the DWI and responsibility for environmental impacts lies with NRW in Wales and with the EA for those parts of the supply area which are in England.

Drinking Water Quality

The DWI is part of DEFRA and acts as a technical assessor on behalf of the Secretary of State and the Welsh Government in respect of the quality of drinking water supplies. As such, it can take enforcement action in the event that a water undertaker is in contravention of regulatory requirements concerning the "wholesomeness" of water supplies. Court proceedings can be brought by the DWI in the name of the Secretary of State, the Welsh Ministers or the Director of Public Prosecutions for the offence of supplying water "unfit for human consumption" (for example if discoloured or foul tasting water is supplied to customers) or for the offence of supplying water that is inadequately treated or disinfected.

Environment

In Wales, NRW is responsible for the control of water pollution and the maintenance and improvement of the quality of controlled waters, including the regulation of discharges to those waters. The principal environmental legislation relevant to the Undertaker includes the Water Resources Act 1991 (the "**WRA**"), the Environmental Protection Act 1990 (the "**EPA**"), the WIA and the EPR. Under the EPR it is a criminal offence to knowingly cause or knowingly permit a water discharge activity, including the discharge of sewage or trade effluent, unless it is authorised by an environmental permit from NRW. The principal prosecuting body is the NRW, which has a wide range of enforcement powers available to it.

Discharges by the Undertaker into controlled waters from water or waste water treatment works or overflows therefore require permits (or their historic equivalents such as discharge consents) from the NRW or the EA. A lack of such a permit, or a breach of its conditions, leaves the Undertaker liable to various costs, including court fines and clean-up costs. Revised Sentencing Guidelines issued to the courts in 2014 have led to a sharp rise in the levels of fines imposed. Since the guidelines were introduced there has been an increase in record fines for large utility companies (including water companies) in the UK. This has driven an increased level of focus on compliance with environmental laws and permit conditions. This in turn has led to higher levels of engagement with environmental compliance issues at a senior management and boardroom level. Recent years have also seen an increased use of civil sanctions, particularly enforcement undertakings: these enable offenders to avoid court action (with the agreement of the NRW or the EA) if they voluntarily admit certain environmental offences. The NRW and the EA publicise their successful court cases and publish information on the enforcement undertakings that they have accepted.

Sewerage undertakers are responsible under the WIA for regulating discharges of industrial effluent into their sewers. Sewerage undertakers issue trade effluent consents to businesses that, for example, are involved in the manufacture or processing of materials such as chemicals, metal finishing, and food and drink manufacture.

The EPA (and the statutory guidance published pursuant to it), establishes the regime to deal with liability for the remediation of contaminated land and pollution of controlled waters. Under the regime, where the local authority has identified contamination which is causing, or there is a significant possibility of it causing significant harm to the environment or human health, or if there is significant pollution of controlled waters, then the person who caused or knowingly permitted the contamination or pollution (or, if that person cannot be found, the owner or occupier of the land) can be liable for the remediation.

Any significant expenditure incurred by an Undertaker necessitated by legislation applying to it in its capacity as a water or sewerage operator, or by any change in permits to achieve environmental gains, including as a result of existing or new EU directives, would be eligible for consideration for an Interim Determination of price controls, or to be taken into account at a periodic review.

Priority Substances Directive

The Environmental Quality Standards Directive (the "**EQSD**"), referred to as the Priority Substances Directive, as amended sets out harmonised environmental quality standards for 45 "priority substances". The EQSD specifies environmental quality standards for each substance in terms of an annual average value and also in terms of a maximum allowable concentration in certain waters. The EQSD was transposed by the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017. Pursuant to those Regulations, the Welsh Ministers and NRW (or the Secretary of State and the EA, as appropriate) are required to secure compliance with the requirements of the EQSD.

Competition in the Water Industry

The Competition Act 1998

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

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

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

The Enterprise Act 2002 adds further remedies for breach of competition law. The Enterprise Act 2002 contains criminal sanctions, including the possibility of imprisonment of individuals who have been involved in certain cartels and disqualification for directors involved in breach of competition law. Consumer groups are now able to bring actions on behalf of customers (including for damages).

In April 2019, the WSRA published a letter to regulated companies operating wholly or mainly in England providing advice on compliance with competition law and charging rules obligations with respect to the self-lay market for new connections. This was largely in response to several complaints over the previous 12 months in which it had been alleged that incumbent regulated companies, through their charges, contractual terms and/or actions, has made it difficult for self-lay providers to compete and operate efficiently in the developer services markets. The charging rules for new connection services explicitly require regulated companies in England to set their charges (including any income offsets) and asset payments in accordance with the principle that they should promote effective competition for contestable work. Regulated companies are also required to publish their charges in a clear and accessible manner and explain how each charge has been calculated or derived so that it is clear what services are covered by each charge. The WSRA has,

therefore, written to all incumbent regulated companies to remind them that, given their position of dominance in a number of markets in their appointment areas, each company has a special responsibility to ensure that its conduct in those markets does not prevent, restrict or distort competition.

In May 2019, the WSRA sent a further letter to most companies operating wholly or mainly in England, stating that it considered that there were numerous, recurring examples of those incumbent regulated companies failing to support the development of effective markets (particularly the markets for business retail and developer services) by either giving insufficient thought to the potential impact that their actions, inaction, or active opposition or delaying of initiatives that are aimed at improving such markets. The letter outlined the WSRA's plans to encourage the development of effective markets. The letter explains that the WSRA promotes the targeted use of markets where these can deliver additional benefits for customers and society (the letter provides various examples of action it is taking to reiterate its expectations of the role that incumbent water companies have in supporting the development of effective markets). As a result, the WSRA decided to monitor incumbent regulated companies over a period of a few months, in relation to, for example, their engagement and support for initiatives aimed at driving improvements, and the development of new markets. English companies were asked to respond to the letter by October 2019 setting out their progress in certain areas. The WSRA has said that if it does not see a significant improvement by autumn 2019, it will increase the extent of pressure it exerts on incumbent regulated companies, including using enforcement power where appropriate. While neither of these letters were addressed to DCC as a company operating mainly in Wales, DCC has carefully considered the issues raised.

The Water Supply and/or Sewerage Licensing Regime

The WIA, as amended by the 2003 Water Act and the 2014 Water Act, contains provisions which create a framework for competition in water supply, under which entrants wishing to use an Undertaker's networks to transport water to customers (also known as "**common carriage**") or wishing to purchase wholesale water from Undertakers to "retail" to business customers or provide sewerage services to business customers are required to obtain a water supply licence ("**Licensees**"). For the areas served by undertakers wholly or mainly in Wales, the new market is currently limited to customers using in excess of 50 megalitres of water per annum and to water services only. A more extensive regime has been put in place in respect of the areas of Undertakers that are wholly or mainly in England. There, since 1st April 2017 Licensees have been able to offer retail services to all non-household customers, not just those using in excess of 50 megalitres of water per annum, and for wastewater services as well as water supply. The Welsh Government has to date indicated that it has no intention of putting this more extensive regime in place. The 2014 Water Act provides the Welsh Government with the power to commence the provisions that would widen the application of the water supply licensing regime in Wales so as to bring it into line with England. Under the Wales Act 2017, from a date yet to be appointed, the new market is expected to extend to those parts of DCC's supply areas that are situated in England, as a result of the re-alignment of the role of the Welsh Government with the national boundary.

In addition, the provisions include a requirement on Undertakers to charge Licensees for common carriage and wholesale services in accordance with rules that the WSRA is required to produce. In doing so, the WSRA is obliged to have regard to statutory guidance prepared by the Welsh Government.

Merger Regime

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

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

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

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

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

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

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

Remedies may be structural (total or partial prohibition of a proposed merger; total or partial divestiture of the acquired water enterprise; divestiture of another water company held by the acquiring company) or behavioural, such as amendments to an Undertaker's conditions of appointment (for instance regarding the provision of information) or a requirement to maintain separate management. In deciding on remedies, the CMA may have regard to any relevant customer benefits (in the form of lower prices, higher quality, greater choice or innovation) of the merger under consideration. The CMA takes the final decision on remedial action, and this decision can be appealed to the Competition Appeal Tribunal by any person sufficiently affected by the decision. Depending on the size of the parties involved, such mergers may require notification to the European Commission under the EU merger regime although the CMA may (protecting a national "legitimate interest") still investigate the effect of the merger on the ability of the WSRA to make comparisons.

CHAPTER 6
FINANCING STRUCTURE

Figure 1 below provides an overview of the Programme, as follows:

- The Issuer may, from time to time, issue Class A Bonds (as to which scheduled principal and interest will be guaranteed by a Financial Guarantor), Class B Bonds, Class R Bonds, Class C Bonds and Class D Bonds.

- The Issuer will on-lend an amount equal to the equivalent in sterling of the gross proceeds of the issue of each Series of Bonds (other than the Class R Bonds) to DCC under the terms of an Intercompany Loan Agreement. There will be a separate Intercompany Loan Agreement for each Series and separate advances under each Intercompany Loan Agreement in respect of: (i) each different Sub-Class of Bonds issued in such Series; and (ii) additional liquidity provided under any Liquidity Facility Agreements specifically in respect of the Bonds of the relevant Series. There will also be a separate Intercompany Loan Agreement between DCC and the Issuer for the working capital and/or capital expenditure facilities provided to DCC via the Issuer through Authorised Loan Facilities. The amount of each such advance will reflect the corresponding amount of borrowing by the Issuer under the Bonds, the relevant Authorised Loan Facility or the relevant Liquidity Facility, as the case may be (see "*Summary of Finance Documents*" - "*Intercompany Loan Agreements*" below).

- The Issuer's obligations to pay principal and interest on, *inter alia*, the Bonds are to be met primarily from the payments of principal and interest received from DCC under each Intercompany Loan Agreement. (See "*Intercompany Loan Agreements*" and "*Additional Resources Available*" below.)

- The Issuer will hedge certain of its interest and/or currency exposures under the Bonds with the Hedge Counterparties in accordance with the agreed hedging policy (see "*Hedging Agreements*" below).

- The Issuer may draw under a Liquidity Facility to fund liquidity advances to DCC to meet any shortfall in the amounts available to DCC to meet interest payments, *inter alia*, on any advances under any term advance under any Intercompany Loan Agreement (a "**Term Advance"**) (other than Tranche D and subject to certain limits in respect of any advances made with the proceeds of Class C Bonds) and on any R Advances (as defined below) of the corresponding Intercompany Loan Agreement for that Series, which in turn will meet, to the extent available, any shortfall which would otherwise have arisen under the Class A Bonds, Class B Bonds, Class R Bonds and Class C Bonds (subject to certain limits in respect of the Class C Bonds) of such Series. (See "*Liquidity Facilities*" below.)

- DCC has entered into and may further enter into Authorised Loan Facilities directly with Authorised Lenders in respect of its further working capital and/or capital expenditure requirements. (See "*Additional Resources Available*".) Authorised Loan Facilities available to DCC will be subject to a cap of £50,000,000 (as indexed).

- The Finance Lessors provide financing of equipment to DCC. DCC may enter into further DCC Finance Leases with Finance Lessors (which may or may not be the existing Finance Lessors).

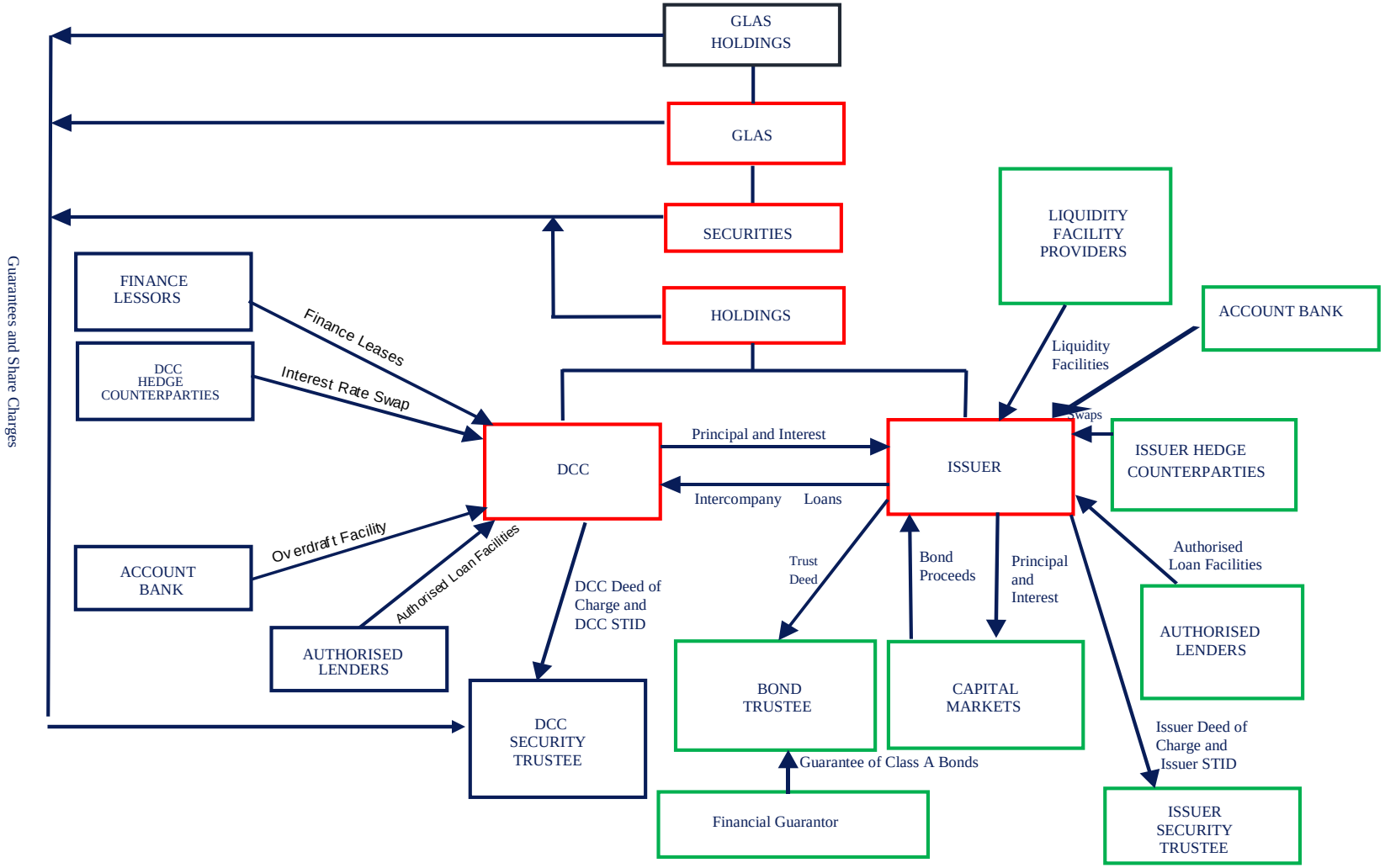
- DCC has hedged and may further hedge certain of its interest rate and/or inflation exposures in respect of its obligations under the DCC Finance Leases.

- DCC will use its revenue flows to meet its operating costs, capital expenditure and obligations to the DCC Secured Creditors, including the Issuer under each Intercompany Loan Agreement, and other third party creditors.

- DCC's obligations to the DCC Secured Creditors are secured, to the extent permitted by the WIA and its Instrument of Appointment under the WIA, and requirements thereunder, by the DCC Deed of Charge. (See "*DCC Deed of Charge*" below.)

- The obligations of DCC to the DCC Secured Creditors are guaranteed by the Guarantors. The guarantee obligations of each of Holdings, Glas Securities and Glas (being the DCC Secured Liabilities which include, amongst other things, the obligations and liabilities owed by DCC to the Issuer under each Intercompany Loan Agreement) are secured by the Guarantor Security. (See "*Guarantor Security*" below.)
- The Issuer's obligations to the Issuer Secured Creditors under, *inter alia*, the Bonds, the Trust Deed, each Liquidity Facility Agreement, each Hedging Agreement, each G&R Agreement, the Paying Agency Agreement, the Master Framework Agreement, the Issuer STID and any Authorised Loan Facilities made available to the Issuer are secured by the Issuer Deed of Charge and subject to the Issuer STID. (See "*Summary of Finance Documents*" under "*Issuer Deed of Charge*" and "*Issuer STID*" below and Chapter 7 "*Terms and Conditions of the Bonds*".)

FIGURE 1 – PROGRAMME STRUCTURE



SUMMARY OF INTERCREDITOR ARRANGEMENTS

This section is intended to provide a brief summary of the Intercreditor Arrangements. The detailed provisions of the DCC STID and the Issuer STID are set out in more detail under "DCC STID" and "Issuer STID" in "Summary of Finance Documents". The meaning of certain defined terms which are used in this section are set out under "Intercreditor Definitions" below. In order to simplify this summary of the Intercreditor Arrangements, throughout this section it is assumed that the Qualifying Debt Representative for the Class A Bonds is a Financial Guarantor. If there is an FG Event of Default, then the Qualifying Debt Representative for the Class A Bonds will be the Bond Trustee and the Intercreditor Arrangements will then apply to the Class A Bonds as they do to the Class B Bonds and Class R Bonds.

Overview of the Intercreditor Arrangements

The intercreditor arrangements in respect of the Issuer and DCC (the "**Intercreditor Arrangements**") are contained in two security trust and intercreditor deeds (and each respectively, as amended, the "**Issuer STID**" and the "**DCC STID**"). The Intercreditor Arrangements bind the DCC Secured Creditors and the Issuer Secured Creditors (together the "**Intercreditor Parties**"). Any Additional Beneficiary of the DCC Security and the Guarantor Security will be required to accede to the DCC STID and any Additional Beneficiary of the Issuer Security will be required to accede to the Issuer STID (as in each case will certain other creditors of DCC and the Issuer). The Local Authority Loans (as defined below) are not subject to the Intercreditor Arrangements.

The purpose of the Intercreditor Arrangements is to regulate, *inter alia*: (i) claims of the Intercreditor Parties; (ii) the exercise and enforcement of rights by those parties; (iii) the rights of such parties to instruct the Issuer Security Trustee and the DCC Security Trustee (each a "**Security Trustee**" and together the "**Security Trustees**"); (iv) the rights of such parties during a Default Situation; (v) the entrenched rights and reserved matters of each Intercreditor Party; and (vi) the giving of consents and waivers and the making of amendments by the Intercreditor Parties.

The Intercreditor Arrangements provide for the ranking in point of payment of the Intercreditor Parties: (i) prior to the occurrence of a Standstill (see "*DCC Cash Management – Debt Service Payment Account*" and the Issuer Pre-Enforcement Payments Priorities set out in "*Issuer Cash Management*" below); (ii) during a Standstill (see "*DCC Cash Management – DCC Standstill Priority*" below and the paragraph preceding that heading); and (iii) following an acceleration under either of the DCC STID or the Issuer STID (see "*DCC Post-Enforcement Payments Priorities*" set out under "*DCC Cash Management*" and "*Issuer Post-Enforcement Payments Priorities*" set out under "*Issuer Cash Management*" below).

The Intercreditor Parties (other than, with respect to certain permitted voluntary terminations, the Finance Lessors and the Current DCC Hedge Counterparties in certain limited circumstances) do not have the right independently to accelerate their claims or take other enforcement action. The DCC Security Trustee is instructed by the Beneficiary Instructing Group (as defined below). The Issuer has assigned its rights under the DCC STID to the Issuer Security Trustee for itself and on behalf of the Issuer Secured Creditors under the Issuer Deed of Charge. The Issuer Security Trustee is instructed by the Issuer Instructing Group.

The Intercreditor Arrangements provide a regime for instructing the Issuer Security Trustee at the Issuer level and a regime for instructing the DCC Security Trustee at the DCC level. At the DCC level the Issuer Security Trustee votes on behalf of the Issuer proportionately according to the votes received at the Issuer level. In each case, the relevant Security Trustee will not be liable to any person in relation to actions taken or not taken by it and will not be obliged to take action unless indemnified and/or secured to its satisfaction.

The underlying principle of the Intercreditor Arrangements is, prior to a Default Situation, that the holders of the Class A Bonds and the Authorised Lenders and, after a Default Situation, that the holder of the Class A Bonds, Class B Bonds, Class R Bonds and Authorised Loan Facilities at the Issuer level and the DCC Finance

Lessors, Authorised Loan Facilities and Intercompany Loan Agreements at the DCC level shall have a potential vote (or be able to instruct) in respect of the outstanding principal amount of the relevant debt. Such votes may only be exercised through the relevant Qualifying Debt Representative (as defined below). This basic principle does not apply where a vote on an Intercreditor Issue involves a Basic Terms Modification (as defined in the Conditions), in which case the usual provisions for meetings in respect of the Bonds shall apply (see Condition 15(b)(i) in Chapter 7 "*Terms and Conditions of the Bonds*"). In the absence of a Default Situation (as defined below), a Qualifying Debt Representative (other than the Bond Trustee) may only vote or instruct if it has provided an Appropriate Indemnity. In a Default Situation there is no requirement on any DCC Secured Creditor or Issuer Secured Creditor to provide an Appropriate Indemnity to the relevant Security Trustee in order to exercise a vote or give instructions.

In order to facilitate timely decision-making prior to a Default Situation of the Bonds, only the Issuer Qualifying Debt Representative of the Class A Bonds instructs the Issuer Security Trustee.

However, at any time during a Default Situation, the Qualifying Debt Representative of the Class B Bonds and Class R Bonds in addition to the Qualifying Debt Representative of the Class A Bonds will have the right to vote and instruct the Issuer Security Trustee, subject to the other provisions of the Intercreditor Arrangements described below (See "*Bondholder Meetings on Intercreditor Matters in a Default Situation*" below). The Issuer and any affiliates have no right to vote or instruct the Issuer Security Trustee in respect of any Class R Bonds held by them.

Accordingly, prior to a Default Situation, the Class B Bonds and Class R Bonds are not entitled to be represented in the Issuer Instructing Group; however, the Issuer and Holdings have each covenanted to use their reasonable endeavours to ensure that at all times there is a Qualifying Debt Representative at the Issuer level who is a Financial Guarantor, in order to ensure there is an Issuer Qualifying Debt Representative which is able to provide instructions in a timely manner to the Issuer Security Trustee.

The Intercreditor Arrangements provide that, in approving any disposal of any assets secured by the Guarantor Security, those DCC Secured Creditors making up the Beneficiary Instructing Group or, as the case may be, those Issuer Secured Creditors making up the Issuer Instructing Group, shall be subject to the same duties as would apply in equity to any receiver or mortgagee of those secured assets.

Intercreditor Arrangements at the Issuer Level

The Issuer Security Trustee is instructed by the Issuer Instructing Group. Prior to a Default Situation, the Issuer Instructing Group is constituted by the Issuer Qualifying Debt Representatives of the Class A Bonds and any Authorised Loan Facilities (but not the Liquidity Facility Agreements or any Hedging Agreements (as defined below)) provided that the relevant Qualifying Debt Representative (other than the Bond Trustee) has provided an Appropriate Indemnity to the Issuer Security Trustee. After a Default Situation, the Issuer Instructing Group may be constituted, *inter alios*, by the Qualifying Debt Representative of the Class A Bonds, the Class B Bonds and the Class R Bonds. Class C Bonds and Class D Bonds may only be represented by the Bond Trustee in the Issuer Instructing Group where there is no Qualifying Debt Representative in respect of the Class A Bonds, Authorised Loan Facilities, Class B Bonds or Class R Bonds (and, in the case of the Class D Bonds, the Class C Bonds) able to constitute an Issuer Instructing Group.

The Issuer Instructing Group instructs the Issuer Security Trustee on the basis of one vote for each £1 of their IIG Outstanding Principal Amount (as defined below) at the time the vote is taken. A Financial Guarantor may vote in respect of the IIG Outstanding Principal Amount of the Bonds guaranteed by such Financial Guarantor, provided it is at the relevant time the Issuer Qualifying Debt Representative in respect of such Bonds. (See also "*Bondholder Meetings on Intercreditor Matters in a Default Situation*" below.)

At the Issuer level, the Issuer Security Trustee acts upon the instructions of the Issuer Qualifying Debt Representative(s) who constitute(s) (either singly or together) more than 50 per cent. of the aggregate IIG Outstanding Principal Amount of the Qualifying Debt. At the DCC level, the Issuer Security Trustee as DCC

Qualifying Debt Representative of the Issuer casts the votes of the Issuer Instructing Group proportionately (see "*Intercreditor Arrangements at the DCC Level*" below).

Intercreditor Arrangements at the DCC Level

The DCC Security Trustee acts as trustee on behalf of the DCC Secured Creditors in connection with the DCC Security and the Guarantor Security. In such capacity, the DCC Security Trustee has agreed that it will exercise any right (other than entrenched rights and reserved matters) which it may have in respect of the DCC Transaction Documents only as directed by the Beneficiary Instructing Group.

The definition of Qualified DCC Secured Creditor determines who is able to constitute the Beneficiary Instructing Group. The Issuer Security Trustee represents the Issuer as part of the Beneficiary Instructing Group and splits its portion of the aggregate BIG Outstanding Principal Amount of the Qualified DCC Secured Creditors into separate £ for £ amounts (each a "**Proportion**"), and each representing the votes/ instructions received by the Issuer Security Trustee from the respective members of the Issuer Instructing Group. The Issuer Security Trustee will not have a vote in respect of any Issuer Secured Creditors who were not holders of Qualifying Debt or otherwise did not vote or instruct the Issuer Security Trustee as part of the Issuer Instructing Group.

It should be noted that, prior to a Default Situation, only the Qualifying Debt Representative of the Class A Bonds and the Authorised Lenders to the Issuer are capable of constituting a Proportion.

The DCC STID provides that the DCC Security Trustee will take action only when it has received instructions from a Beneficiary Instructing Group.

Bondholder Meetings on Intercreditor Matters in a Default Situation

In a Default Situation, the Class B Bonds and Class R Bonds will be represented by the Bond Trustee as Qualifying Debt Representative who may convene a meeting of Bondholders (which will be a single meeting of the holders of the Class B Bonds and Class R Bonds) to consider any matter. The Intercreditor Arrangements provide that no such Bondholder meeting will be convened if, within three business days of the Bond Trustee serving notice on the relevant Security Trustee of its intention to convene such a meeting, the relevant Security Trustee confirms that it has already received instructions for or against the relevant matter from more than 50 per cent. of the Intercreditor Parties that could form part of the Issuer Instructing Group or Beneficiary Instructing Group, as the case may be (a "**Confirmation of Instruction**"). If the Bond Trustee receives a Confirmation of Instruction at any time before the day of the relevant Bondholder meeting, it shall notify the Bondholders that the meeting will be cancelled. The Conditions of the Bonds also make provision for Bondholder committees to be constituted (see Chapter 7 "*Terms and Conditions of the Bonds – Condition 15*").

Emergency Instruction Procedure

During a Default Situation, certain decisions and instructions may be required in a timeframe which does not provide a sufficient period in which to convene Bondholder meetings. To cater for such circumstances, the Intercreditor Arrangements provide for an emergency instruction procedure. The relevant Security Trustee will be required to act upon instructions contained in an emergency notice (an "**Emergency Instruction Notice**"). An Emergency Instruction Notice must be signed by the Qualifying Debt Representatives (the "**EIN Signatories**") representing more than 66⅔ per cent. of the aggregate BIG Outstanding Principal Amount of the Qualified DCC Secured Creditors, after excluding the proportion in respect of which the Qualifying Debt Representative is a Bond Trustee who is unable to give an instruction (or exercise a vote) on the matter which is the subject of the Emergency Instruction Notice without convening a Bondholder meeting. The Emergency Instruction Notice must specify the emergency action which the relevant Security Trustee is being instructed to take and must certify that, unless such action is taken before the date on which a resolution of Bondholders

could first be obtained, the interests of the Qualified DCC Secured Creditors (as defined below) represented by the EIN Signatories will be materially prejudiced.

Entrenched Rights, Reserved Matters and Standstill

The Intercreditor Arrangements are subject to certain entrenched rights and reserved matters. Each DCC Secured Creditor and each Issuer Secured Creditor has certain entrenched rights which cannot be exercised without the consent of the person having such entrenched right (see "*DCC STID – Entrenched Rights*" and "*Issuer STID – Entrenched Rights of Issuer Secured Creditors*" below), and certain reserved matters which such person is free to exercise, notwithstanding the Intercreditor Arrangements.

The Intercreditor Arrangements at the DCC level are modified during a Standstill, in particular in respect of terminating the Standstill Period (see "*DCC STID – Standstill*" below).

Intercreditor Definitions

The following defined terms are used in this document in relation to the Intercreditor Arrangements:

"**Appropriate Indemnity**" means an indemnity in form and substance satisfactory to the relevant Security Trustee.

"**Beneficiary Instructing Group**" is defined in the DCC STID to mean (except with respect to the termination of any Standstill) Qualified DCC Secured Creditor(s) (as defined below) to whom are owed more than 50 per cent. of the aggregate BIG Outstanding Principal Amount of the Qualified DCC Secured Liabilities (as defined in the DCC STID) at the relevant time.

"**BIG Outstanding Principal Amount**" means on any date in relation to:

(i) the Issuer, the IIG Outstanding Principal Amount voted by the Issuer Security Trustee proportionately (as referred to in paragraph (ii) of the definition of Qualified DCC Secured Creditor);

(ii) any Authorised Loan Facilities provided to DCC, the equivalent amount in the Base Currency of the outstanding principal amount of any drawn amounts;

(iii) each DCC Finance Lease, the highest termination value which may fall due during the annual period encompassing such date and falling between two annual rental payment dates under the relevant Finance Lease (the "**Annual Period**"), calculated upon the assumptions and the cashflow report provided by the relevant DCC Finance Lessor on the first day of each such Annual Period;

(iv) each DCC Hedge Document (as defined in the DCC STID), the amount (if any) that would be payable to the relevant DCC Hedge Counterparty on such date (as defined below) if an Early Termination Date were designated in respect of the transaction or transactions arising thereunder pursuant to Section 6(e) of the ISDA Master Agreement governing such transaction or transactions; and

(v) any other permitted debt, the equivalent amount in the Base Currency of the outstanding principal amount of such debt in accordance with the relevant underlying documentation.

"**DCC Qualifying Debt Representative**" in respect of the Beneficiary Instructing Group means in relation to:

(i) any Intercompany Loan Agreement, the Issuer Security Trustee;

(ii) any DCC Finance Lease, the relevant DCC Finance Lessor;

(iii) any Authorised Loan Facility provided to DCC, the facility agent acting on the instructions of an instructing group of lenders or, where there is no facility agent, the Authorised Lender under such Authorised Loan Facility;

(iv) any DCC Hedge Document, the relevant DCC Hedge Counterparty; and

(v) any other form of permitted debt, the relevant representative appointed under the terms of the relevant underlying documentation.

"**Default Situation**" means any period during which there subsists:

(i) a Standstill;

(ii) an Issuer Event of Default; or

(iii) a DCC Event of Default.

"**FG Event of Default**" means:

(A) in relation to the Initial Financial Guarantor:

(i) any Insured Amount or, as the case may be, Guaranteed Amount which is Due for Payment (each as defined in the relevant Financial Guarantee) is unpaid by reason of non-payment and is not paid by the Initial Financial Guarantor on the date stipulated in the relevant Financial Guarantee;

(ii) the Initial Financial Guarantor disclaims, disaffirms, repudiates and/or challenges the validity of any of its obligations under the relevant Financial Guarantee or seeks to do so;

(iii) the Initial Financial Guarantor:

(a) presents any petition, commences any case or takes any proceedings for the winding-up or the appointment of an administrator or receiver (including an administrative receiver or manager), conciliator, trustee, assignee, custodian, sequestrator, liquidator or similar official under any Bankruptcy Law or, as the case may be, Insolvency Law, of the Initial Financial Guarantor (or as the case may be, of a material part of its property or assets) under any Bankruptcy Law or, as the case may be, Insolvency Law (as defined below);

(b) makes or enters into any general assignment, composition, arrangement (including a voluntary arrangement under Part 1 of the UK Insolvency Act 1986 or equivalent legislation) or compromise with or for the benefit of any of its creditors;

(c) has a final and non-appealable order for relief entered against it under any Bankruptcy Law or, as the case may be, Insolvency Law; or

(d) has a final and non-appealable order, judgment or decree of a court of competent jurisdiction entered against it appointing any conciliator, receiver, administrative receiver, trustee, assignee, custodian, sequestrator, liquidator, administrator or similar official under any Bankruptcy Law or, as the case may be, Insolvency Law (each a "**Custodian**") for the Initial Financial Guarantor or all or any material portion of its property or authorising the taking of possession by a Custodian of the Initial Financial Guarantor; and

(B) and in relation to any other Financial Guarantor, such events as described in the relevant Financial Guarantee or Financial Guarantees of such Financial Guarantor as defined more particularly in the applicable Final Terms.

For the purpose of this definition, "**Bankruptcy Law**" means Law No. 85-98 of 25 January 1985 and Law No 84-148 of 1 March 1984 of the French Republic, any similar or future federal or state bankruptcy, insolvency, reorganisation, moratorium, rehabilitation, liquidation, conservation, fraudulent conveyance or similar law, statute or regulation of the French Republic or any other applicable jurisdiction for the relief of debtors, and "**Insolvency Law**" means any applicable United Kingdom bankruptcy or insolvency law, including the Enterprise Act 2002, the Insolvency Act 2000, the Insolvency Act 1986, the Insolvency Rules 1986, the

Insolvency Regulations 1994 or any legislation passed in substitution or replacement thereof or amendment thereof or similar law, statute or regulation for the relief of debtors of the United Kingdom or any other applicable jurisdiction.

"**IIG Outstanding Principal Amount**" means on any date in relation to:

(i) the Class A Bonds, Class B Bonds, Class R Bonds, Class C Bonds and Class D Bonds, the equivalent amount in the Base Currency of the aggregate Principal Amount Outstanding (as defined in the Conditions) of the relevant Class or Classes of the outstanding Bonds (including any premium or indexation);

(ii) Authorised Loan Facilities provided to the Issuer, the equivalent amount in the Base Currency of the outstanding principal amount of any drawn amounts; and

(iii) any other permitted debt, the equivalent amount in the Base Currency of the outstanding principal amount of such debt in accordance with the relevant underlying debt documentation.

"**Issuer Instructing Group**" means (except with respect of the termination of any Standstill) the Issuer Qualifying Debt Representatives in respect of Qualifying Debt who, prior to a Default Situation, have provided an Appropriate Indemnity (other than the Bond Trustee) to the Issuer Security Trustee and to whom are owed more than 50 per cent. of the aggregate IIG Outstanding Principal Amount of the Qualifying Debt.

"**Issuer Qualifying Debt Representative**" means in relation to:

(i) the Class A Bonds, until the full and complete payment by the Issuer of all sums due under the Class A Bonds, the relevant Financial Guarantor unless and until:

  (a) such time as the Issuer Security Trustee has received notice from the Bond Trustee or the Financial Guarantor that a FG Event of Default has occurred and is continuing (and has not otherwise been waived or cured to the satisfaction of the Bond Trustee); or

  (b) notwithstanding the absence of any FG Event of Default, no amounts could become payable by the Issuer to the Financial Guarantor under the Issuer Transaction Documents,

  in which case the Qualifying Debt Representative for the Class A Bonds shall be the Bond Trustee on behalf of the Class A Bondholders;

(ii) the Class B Bonds, the Class R Bonds, the Class C Bonds and the Class D Bonds, the Bond Trustee on behalf of the holders thereof (excluding, in the case of the Class R Bonds, the Issuer or any affiliate thereof); and

(iii) any Authorised Loan Facility provided to the Issuer, the facility agent acting on the instructions of an instructing group of lenders in accordance with the terms of such Authorised Loan Facility or, where there is no facility agent, the Authorised Lender under such Authorised Loan Facility.

"**Qualified DCC Secured Creditor**" means:

(i) each Authorised Lender and each DCC Finance Lessor which, prior to a Default Situation, provides an Appropriate Indemnity to the DCC Security Trustee; and

(ii) the Issuer, on whose behalf the Issuer Security Trustee shall vote (provided that, prior to a Default Situation it provides an Appropriate Indemnity in respect of the proportionate votes received by it from the Issuer Instructing Group). In this respect, the Issuer Security Trustee will split its portion of the aggregate BIG Outstanding Principal Amount of the Qualified DCC Secured Creditors into Proportions (as set out above); or

(iii) if none of the above, then the DCC Qualifying Debt Representative (provided, prior to a Default Situation, it provides an Appropriate Indemnity) of the DCC Secured Creditor (or DCC Secured Creditors if more than one such *pari passu* ranking DCC Secured Creditor) who at such time has/have

the highest ranking in respect of its/their outstanding principal amount in the applicable DCC Post-Enforcement Payments Priorities.

"**Qualifying Debt**" means the outstanding principal amount of:

(i) the Class A Bonds provided that the Issuer Qualifying Debt Representative is the relevant Financial Guarantor; and

(ii) debt financing provided to the Issuer pursuant to Authorised Loan Facilities (which for the avoidance of doubt will not include any Liquidity Facility Agreements or any Hedging Agreements); and

(iii) where there is either no Qualifying Debt as referred to in (i) and (ii) above or there is a Default Situation or the relevant Financial Guarantor is not the Issuer Qualifying Debt Representative in relation to any Class A Bonds, the outstanding Class A Bonds (unless included in (i) above), Class B Bonds and Class R Bonds together (as provided in the Conditions of the Bonds and subject to the provisions of the Issuer STID); or

(iv) where there is no Qualifying Debt as referred to in (i), (ii) or (iii) above, the outstanding Class C Bonds; or

(v) where there is no Qualifying Debt as referred to in (i), (ii), (iii) or (iv) above, the outstanding Class D Bonds; or

(vi) where there is no Qualifying Debt as referred to in (i), (ii), (iii), (iv) or (v) above, any remaining secured liabilities of the Issuer.

"**Qualifying Debt Representative**" means an Issuer Qualifying Debt Representative and/or a DCC Qualifying Debt Representative, as the case may be.

SUMMARY OF FINANCE DOCUMENTS

Intercompany Loan Agreements

The Issuer has on-loaned or will on-lend an amount equal to the sterling equivalent of the gross proceeds of issue of each Sub-Class of Bonds of each Series (or, in the case of Class R Bonds, the proceeds of sale of such Sub-Class) to DCC under the terms of an intercompany loan agreement (each such agreement an "**Intercompany Loan Agreement**"). Such issue proceeds have been or will be used to fund a separate corresponding advance under the corresponding Intercompany Loan Agreement. Each Intercompany Loan Agreement entered into by the Issuer and DCC in connection with a Series of Bonds has, or will have, the following characteristics:

(i) all advances to be made by the Issuer under each Intercompany Loan Agreement have been or will be in sterling and at rates of interest equivalent to the aggregate of (a) the rate of interest for the corresponding Sub-Class of Bonds as set out in the relevant Final Terms and (b) a margin of 0.01 per cent. per annum;

(ii) an advance under an Intercompany Loan Agreement will generally be repayable or prepayable by DCC in the same circumstances as the Issuer is obliged to repay or prepay principal in respect of the relevant Bonds the issue or drawdown proceeds of which were used to fund that advance; and

(iii) the expiry or maturity date of each Intercompany Loan Agreement will match the expiry date of the corresponding Series of each Sub-Class of Bonds.

The payment obligations of DCC under the Intercompany Loan Agreements enable the Issuer to service any payments due and payable on the corresponding Bonds and for the avoidance of doubt, the characteristics of each Intercompany Loan Agreement entered into in connection with an issue of Bonds are such as to demonstrate capacity to produce funds for the Issuer to service any payments due and payable on such Bonds

(e.g. over-collateralisation created by the higher rate of interest on the Intercompany Loan Agreement). All payments of principal and interest under an Intercompany Loan Agreement are to be made free and clear of, and without withholding or deduction for, tax, if any, applicable to such payments in the United Kingdom or any other jurisdiction unless such withholding or deduction is required by law. In that event, DCC will be obliged to pay such additional amounts as will result in the receipt by the Issuer of such amounts as would have been received by it if no such withholding or deduction had been required.

The Issuer may also, in certain circumstances, on-lend to DCC under an Intercompany Loan Agreement, the proceeds of a drawing under the Liquidity Facility (see "*Additional Resources Available*" - "*The Liquidity Facilities*" below). As set out above, there will be a separate Intercompany Loan Agreement for each Series of Bonds and separate advances under each Intercompany Loan Agreement in respect of: (i) each different Sub-Class of Bonds issued in such Series; and (ii) additional liquidity provided under any Liquidity Facility Agreements specifically in respect of the Bonds of the relevant Series. Any advance of the proceeds of a drawing under the Liquidity Facility will be in sterling and at a rate of interest equivalent to the aggregate of (a) the rate of interest set out in the Liquidity Facility and (b) a margin of 0.01 per cent. per annum.

There will also be a separate Intercompany Loan Agreement between DCC and the Issuer for each of the working capital and/or capital expenditure facilities provided to DCC via the Issuer through Authorised Loan Facilities. The amount of each such advance will reflect the corresponding amount of borrowing by the Issuer under the relevant Authorised Loan Facility (see "*Additional Resources Available*" - "*Authorised Loan Facilities*" below). Any advance of the proceeds of a drawing under an Authorised Loan Facility will be in sterling and at a rate of interest equivalent to the aggregate of (a) the rate of interest as set out in the Authorised Loan Facility and (b) a margin of 0.01 per cent. per annum.

Each Intercompany Loan Agreement is or will be subject to the Common Terms Agreement which sets out, *inter alia*, the representations and warranties, covenants and events of default or termination events which apply to DCC under, *inter alia*, each Intercompany Loan Agreement and in the case of Holdings, Glas and Glas Securities, the representations and warranties, covenants and enforcement events under the DCC Security Documents to which they are a party (see "*Common Terms Agreement*" below).

The payment obligations of DCC under the Intercompany Loan Agreements constitute DCC Secured Liabilities and as such are guaranteed by the Guarantors. However, it should be noted in respect of the Guarantors that none of them own any significant assets (other than their direct or indirect interest in the shares of DCC). None of the Guarantors accept any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on the Bonds.

Common Terms Agreement

Each of the Finance Lessors, the Account Bank, the DCC Security Trustee, DCC, DCFL, Holdings, Glas Securities and Glas, among others, entered into a common terms agreement on the Initial Issue Date (as amended, the "**Common Terms Agreement**") in respect of which the Issuer has been substituted in place of DCFL and DCFL has ceased to be a party. Certain additional DCC Finance Lessors, the Current DCC Hedge Counterparties and Glas Holdings have subsequently acceded to the Common Terms Agreement. The Common Terms Agreement sets out the representations, warranties, covenants (positive, negative and financial) and events of default which apply to each Intercompany Loan Agreement, each Authorised Loan Facility available to DCC, the Finance Leases (each as supplemented and amended thereby), the DCC Security Documents (as defined below) and each other agreement between or in respect of DCC and any of the Issuer, the DCC Finance Lessors, any Authorised Lender, any DCC Hedge Counterparty, the Account Bank, the DCC Security Trustee, the Standstill Cash Manager and any Additional Beneficiary as defined therein (the "**DCC Secured Creditors**"). The Common Terms Agreement also sets out the cash management arrangements applying to DCC (see "*DCC Cash Management*" below) for so long as there has been no acceleration of liabilities against DCC or for so long as no Standstill Period subsists. It is a requirement of the

Common Terms Agreement that certain future providers of Permitted Indebtedness (as defined below) must also accede to the Common Terms Agreement.

A summary of the representations, warranties, covenants and events of default included in the Common Terms Agreement are set out below.

DCC Representations and Warranties

On each Issue Date and each DCC Payment Date, DCC makes a number of representations and warranties in respect of itself to the DCC Secured Creditors which are customary in facilities of this sort, including (subject to agreed exceptions and qualifications as to materiality and reservations of law) as to corporate capacity, the binding nature of its obligations, the ranking of its obligations, the absence of security over its assets, the obtaining of relevant consents and approvals, the maintenance of insurance, there being no breach under the Instrument of Appointment and certain contracts to which it is party and the preparation of accounts being in accordance with applicable accounting standards.

"**DCC Security Documents**" means the DCC STID, the DCC Deed of Charge, the Holdings Deed of Charge, the Glas Securities Deed of Charge and the Glas Deed of Charge and any other document agreed by DCC and the DCC Security Trustee to be a DCC Security Document.

"**DCC Transaction Documents**" includes the Common Terms Agreement, the DCC Security Documents, the Intercompany Loan Agreements, DCC's Authorised Loan Facilities, the DCC Finance Leases and related agreements (including the Supply Agreements, as defined below), the DCC Hedge Documents, the DCC Account Bank Agreement and related bank mandates in respect of the DCC Accounts, the facility letter in respect of the Overdraft Facility (as defined below) and any relevant documents entered into by DCC with any Additional Beneficiaries.

"**Material Entity Event**" means certain defaults under certain material contracts in respect of a counterparty to such contracts including non-payment, misrepresentation, breach of obligation, insolvency events, failure to comply with final judgement, illegality and non-compliance where, in each case, such default would be reasonably likely to have a Material Adverse Effect (as defined below).

Guarantor Representations and Warranties

Each of Holdings, Glas Securities and Glas (as applicable) also give certain customary representations and warranties in favour of the DCC Secured Creditors on each Issue Date and on each DCC Payment Date including (subject to agreed exceptions and qualifications as to materiality and reservations of law) as to corporate capacity, the binding nature of its obligations, the ranking of its obligations, the absence of security over its assets and the obtaining of relevant consents and approvals.

DCC Covenants – positive

Subject to agreed exceptions and materiality qualifications, DCC gives certain covenants in favour of the DCC Secured Creditors, including customary covenants relating to maintenance of legal validity and legal status, maintenance of its insurances, compliance with environmental laws and maintenance of any necessary environmental permits, compliance with DCC's obligations with respect to cash management, notification of potential DCC Events of Default and DCC Events of Default, ranking of claims, compliance with consents and approvals necessary for the conduct of its business (including the leasing of the Equipment (as defined below)), notification of material litigation, timely payment of outgoings and taxes, the preparation of accounts and adequacy of systems, further assurance, perfection and protection of security interests under the DCC Security Documents. In addition, DCC undertakes, *inter alia*, to:

- notify the DCC Security Trustee, the Issuer Security Trustee, the other DCC Secured Creditors and the Issuer Secured Creditors other than the Bond Trustee in writing of the occurrence of:
    - any Potential Trigger Event, Trigger Event, potential DCC Event of Default or DCC Event of Default;

- any event which would reasonably be expected to give rise to a material claim; or
- any other event which has a Material Adverse Effect,

in each case as soon as reasonably practicable upon becoming aware of such event;

"**Material Adverse Effect**" means a material adverse effect (taking into account the timing and availability of any rights and remedies under the WIA or the Instrument of Appointment) on (a) the business, operations, property or financial condition of DCC; or (b) the ability of DCC to perform its obligations under the DCC Transaction Documents, certain material contracts or the Instrument of Appointment; or (c) the validity or enforceability of the DCC Transaction Documents, certain material contracts, or the rights or remedies of the DCC Secured Creditors or DCC thereunder; or (d) the ability of DCC to carry on the business of a water and sewerage undertaker.

- deliver to the DCC Secured Creditors promptly after any reasonable request therefore made by the Issuer Security Trustee, a certificate signed on its behalf by an authorised signatory of DCC (a) confirming that no Potential Trigger Event, Trigger Event, potential DCC Event of Default or DCC Event of Default has occurred since the date of the last such certificate setting out details of any such event which has occurred (other than those previously notified) and of which it is aware having made all reasonable enquiries, and of any action taken or proposed to be taken to remedy such event, and (b) dealing with such other matters in relation to which the Issuer Security Trustee may reasonably require to be satisfied or to receive information for the purposes of the Common Terms Agreement;
- provide the Investor Reports and other information as set out in Chapter 1 "*The Programme*" under "*Investor Information*";
- provide the WSRA with all information required by him in accordance with the Instrument of Appointment on a timely basis;
- use all reasonable endeavours to procure that the DCC Security Trustee is joined in the consultation process with the WSRA if DCC becomes subject to any transfer scheme (as defined in the WIA);
- not make any Restricted Payments (as defined below) and only to the extent of the balance in the Customer Payments Account (or, for payments that are not Customer Rebates, to the extent of the balance of the General Ledger) unless:
  - no drawings are outstanding under Tranche R1 or any other Authorised Loan Facility provided directly to DCC by any Authorised Lender, and any drawings under the Overdraft Facility do not exceed £10,000,000 in aggregate, to the extent in each case that such drawings relate to working capital requirements;
  - the balance on the Debt Service Payment Account on the required date is not less than the required debt service payment account balance for the time being;
  - the balance on the Customer Payment Account on the required date is not less than the required customer payment account balance for the time being;
  - the backward looking and forward looking ICR is greater than or equal to 2.0:1 after taking into account the effect of the proposed Restricted Payment;
  - the RAR is less than or equal to 0.85:1 after deducting the proposed Restricted Payment from available cash;
  - no Standstill is continuing;
  - no Potential DCC Event of Default, DCC Event of Default, Potential Trigger Event or Trigger Event is subsisting; and

- in respect of Restricted Payments which (a) are Permitted Payments or (b) constitute dividends or other distributions paid for the purpose of funding any Permitted Payments by Glas:

  (i) such Restricted Payments shall be subject to a maximum aggregate amount of £100,000,000 (indexed); and

  (ii) the scope of operations of any New Businesses to be financed by such Restricted Payment (and the scope of operations of any existing New Businesses financed by any previous Permitted Payments) are limited predominantly to the utility and infrastructure sectors in the United Kingdom.

"**Restricted Payment**" means (i) any dividend or distribution by DCC to any member of the Glas Group (or by way of Permitted Payment to Glas Holdings or any subsidiary of Glas Holdings), (ii) the payment of any rebate to any customer of DCC made by or on behalf of DCC and (iii) any revenue of DCC voluntarily foregone by it as a result of setting charges below those allowed under its price controls as determined from time to time.

- ensure that it has adequate financial and management resources to enable it to discharge its core obligations under the Instrument of Appointment and under the DCC Transaction Documents and, in respect of performance obligations which are passed down to certain material contractors, it has retained sufficient control to discharge its obligations under the Instrument of Appointment and the DCC Transaction Documents;
- enter into and comply with hedging arrangements in accordance with the agreed hedging policy;
- ensure that the nature of its business is limited to performing the functions of a water and sewerage undertaker as defined in the WIA (the "**Permitted Business**");
- operate, maintain and conduct its business in accordance with, *inter alia*, the Instrument of Appointment, the WIA and its constitutional documents;
- procure that any future outsourcing contracts comply with public procurement rules and that they shall comply with the Outsourcing Policy;

  "**Outsourcing Policy**" means the schedule of provisions and procedures to be applied by DCC in the course of procuring and entering into any further outsourcing agreements, to be reviewed and amended from time to time in accordance with DCC's procurement plan and good industry practice.

- maintain a majority of non-executive directors (not being employees of any member of the Glas Group) on its board of directors;
- use its reasonable endeavours (to the extent it is within its control to do so) to maintain the shadow credit rating of the Class A Bonds and the credit rating of the Class B Bonds and Class R Bonds at investment grade or better with any two of the Rating Agencies; and
- in the event that any of the Local Authority Loans becomes, pursuant to its terms, capable of being declared due and payable prior to its scheduled payment date, DCC shall, within the agreed time period or, if earlier, by no later than the day on which such Local Authority Loan is declared to be due and payable, repay such Local Authority Loan in full.

  "**Local Authority Loans**" means the local authority loans referred to in "*Additional Resources Available*" below.

In respect of each of the above covenants requiring any action or discretion on the part of the DCC Security Trustee, the DCC Security Trustee only acts under instructions of the Beneficiary Instructing Group in accordance with the DCC STID.

DCC Covenants – Negative

Subject to agreed exceptions and materiality qualifications, DCC undertakes, among other things, not to:

- change its tax residence from the United Kingdom or (unless otherwise permitted under the DCC Transaction Documents) surrender any tax losses or allowances on other than arm's length terms;

- permit or agree to any suspension or abandonment of all or a material part of its business except in accordance with the provisions of the WIA;

- create or permit to subsist any encumbrance over all or any of its present or future revenue, leased Equipment or assets other than a Permitted Encumbrance. "**Permitted Encumbrances**" include: (a) specified existing encumbrances; (b) certain encumbrances over after-acquired assets which are discharged within the agreed time or in respect of which the holder becomes a party to the DCC STID; (c) encumbrances under finance leases and similar agreements where the counterparty becomes a party to the DCC STID; (d) certain encumbrances arising in favour of the Account Bank; and (e) any other encumbrances (not within the specified categories of Permitted Encumbrances) provided that the aggregate principal amount secured by such encumbrances does not exceed £10,000,000 (indexed) and provided further that, in the case of any encumbrance under (a), (b), (c), (d) or (e) above, such encumbrance does not contravene the WIA, the Instrument of Appointment or any requirements thereof;

- make any loans, grant any credit or other financial accommodation or give any guarantee to or for the benefit of any person or otherwise voluntarily assume any liability in respect of any obligation of any other person (except (i) for loans permitted to be made by DCC pursuant to the Restricted Payments covenant, and (ii) for guarantees given in the ordinary course of business to commercial counterparties, provided that the total aggregate value of such guarantees may not exceed £5,000,000 at any time) other than Permitted Indebtedness (as defined below) provided that no DCC Event of Default or Potential DCC Event of Default is subsisting at the time such Permitted Indebtedness is proposed to be made or would result from such indebtedness;

- incur, create or permit to subsist or have outstanding any indebtedness for borrowed money other than Permitted Indebtedness. "**Permitted Indebtedness**" includes indebtedness for borrowed money incurred (a) which ranks *pari passu* with Advances made under an Intercompany Loan Agreement from the proceeds of issue of Class A, Class B, Class R or Class C Bonds, if the financial ratio tests in respect of the raising of new debt described in "*DCC Covenants – Financial*" below would be met after incurring such indebtedness or, if they would not be met, the additional requirements in respect of the raising of new debt described in "*DCC Covenants – Financial*" would be met and (b) which is subordinated either pursuant to the Issuer STID (or the DCC STID in relation to any indebtedness under the Intercompany Loan Agreements) such that it ranks subordinate to any Class C Bonds or, as the case may be, any advance made under an Intercompany Loan Agreement from the proceeds of issue of Class C Bonds;

  "**DCC Finance Leases**" means the Finance Leases, together with any other finance leases entered into by DCC in respect of plant, machinery and/or equipment as permitted by the Common Terms Agreement and the DCC STID;

- make any disposal of the whole or any part of its revenues or its assets, leased Equipment or its business or undertaking other than Permitted Disposals. "**Permitted Disposals**" includes certain disposals, *inter alia*, (a) on arm's length terms of assets in the ordinary course of trade or in connection with arm's length transactions entered into for bona fide commercial purposes for the benefit of the Permitted Business, (b) of obsolete or surplus assets, (c) of protected land made in accordance with the Instrument of Appointment, (d) of leased Equipment pursuant to a DCC Finance Lease, (e) provided that the consideration received by DCC in respect of the relevant disposal when aggregated with all other disposals by it made in the immediately preceding twelve month period does not exceed 2.5 per

cent. of RAV (as defined below) for the time being and (f) that are Restricted Payments which are permitted to be made;

- merge or consolidate with any other person or participate in any other type of corporate reconstruction without the prior written consent of the DCC Security Trustee (acting on the instructions of the Beneficiary Instructing Group) and, other than Permitted Acquisitions, acquire any shares, assets, leased Equipment or form or enter into any partnership, consortium, joint venture or other like arrangement. "**Permitted Acquisitions**" will include acquisitions of assets made (a) in the ordinary course of trade or in connection with arm's length transactions entered into for bona fide commercial purposes in furtherance of DCC's statutory obligations, (b) in accordance with the agreed capital expenditure plan and (c) to replace surplus or obsolete assets;
- to the extent its agreement is required for the same, agree any variation to the Instrument of Appointment which would reasonably be expected to have a Material Adverse Effect;
- unless permitted under the DCC STID and the Common Terms Agreement pay, prepay or repay or defease, exchange or purchase any amount under any loan or other indebtedness subordinated to its obligations under the DCC Transaction Documents or redeem or repurchase any of its share capital;
- enter into any treasury transaction which is not a Permitted Treasury Transaction. A "**Permitted Treasury Transaction**" includes (a) a transaction entered into accordance with the agreed hedging policy, and (b) certain foreign exchange transactions entered into in the ordinary course of business;
- dispose of assets on a sale and leaseback basis or any of its receivables on recourse terms or in relation to a securitisation (except for factoring and the discounting of bills and notes in the ordinary course of its business) unless the resulting indebtedness is Permitted Indebtedness and provided that, in any such case, the consideration in respect of such sales, leases, transfers or disposals is received in cash payable in full at the time and does not exceed the agreed threshold in aggregate at any time; or
- have greater than 20 per cent. of its aggregate nominal outstanding external indebtedness for borrowed money fall due for scheduled final repayment within any 24 month period.

Other covenants (subject to agreed exceptions and materiality qualifications) given by DCC include covenants relating to the operation and abandonment of its business, not to create or acquire subsidiaries, not to enter into any arrangement or contract with any of its affiliates or any entity otherwise than on arms' length terms, not to amend its constitutional documents, certain material contracts, or the Instrument of Appointment, and not to compromise or settle any material claim without prior notification to the DCC Security Trustee, the other DCC Secured Creditors and the Issuer Secured Creditors.

DCC is required periodically to certify to the DCC Secured Creditors and indirectly to the Issuer Secured Creditors whether it is in compliance with its obligations under the DCC Transaction Documents (and whether a DCC Event of Default or potential DCC Event of Default has occurred). The DCC Security Trustee and the Issuer Security Trustee shall not be responsible for monitoring such compliance by DCC except, in the case of the Issuer Security Trustee (in its role as Qualifying Debt Representative), by means of receipt from DCC of such certificates of compliance pursuant to the provisions of any Intercompany Loan Agreement and shall be entitled to assume until receipt of express notice to the contrary that no such breach, DCC Event of Default or potential DCC Event of Default has occurred.

In particular, where a DCC Event of Default, covenant, representation or warranty refers to Material Adverse Effect, material adverse change, materiality or like terminology, the DCC Security Trustee and the Issuer Security Trustee (including in its role as Qualifying Debt Representative) will not determine such matters (or the absence thereof). The Issuer Instructing Group or the Beneficiary Instructing Group (as the case may be) may instruct the Issuer Security Trustee or the DCC Security Trustee (as applicable) whether any such breach by DCC, DCC Event of Default or potential DCC Event of Default has occurred. The Issuer Security Trustee or the DCC Security Trustee shall be bound to act on such instructions in accordance with the Issuer STID or

DCC STID (as the case may be). Where the Issuer Instructing Group consists of the Bond Trustee acting on behalf of the relevant Bondholders as referred to in the Issuer STID, the Bond Trustee will not determine Material Adverse Effect, material adverse change, materiality or like terminology, but will instead seek that such determination be made by such relevant Bondholders by means of an Extraordinary Resolution (see Condition 3(h) in Chapter 7 under "*Terms and Conditions of the Bonds*").

DCC Covenants – Financial

Among the covenants which DCC makes in favour of the DCC Secured Creditors under the Common Terms Agreement, DCC also undertakes to maintain certain financial ratios and take certain actions in the event that such financial ratios fall below specified levels.

The two key financial ratios which DCC is required to comply with are as follows:

Interest Cover Ratio

The interest cover ratio ("**ICR**") is calculated on a backward-looking basis for the previous financial year and projected on a forward-looking basis for the current financial year and for each future financial year until the next periodic review. To avoid an Event of Default, DCC is required to maintain each of these backward-looking and forward-looking ratios at a level of at least 1.6:1. This ratio comprises the amount of Net Cash Flow (as defined below) from operations for a financial year to the amount of Net Debt Service (as defined below) for the relevant financial year.

Regulated Asset Ratio

The regulated asset ratio ("**RAR**") is also calculated on a backward-looking basis as at the previous financial year end and projected on a forward-looking basis for each financial year end date until the next periodic review. Each of these ratios is subject to a maximum level of 0.95:1 which DCC covenants to maintain (in order to avoid an Event of Default). This ratio represents Total Net Indebtedness (as defined below) of the Glas Group (other than Class D Bonds) as at a date to RAV as at such date.

"**Calculation Date**" means each 31 March and 30 September in each year.

"**Net Debt Service**" means, in relation to a financial year, an amount equal to the aggregate of all interest payable on the Issuer's obligations under and in connection with the Class A Bonds, the Class B Bonds and the Class R Bonds (together "**Senior Bonds**"), DCC's obligations under and in connection with the DCC Finance Leases and any other senior debt of any member of the Glas Group during such financial year less all indexation on any such liabilities to the extent included in the interest payable on such liabilities during such financial year, all interest receivable by any member of the Glas Group from a third party during such financial year except to the extent included in Net Cash Flow and excluding amortisation of the costs of issue of any Senior Bonds for such financial year.

"**Net Cash Flow**" means, in respect of a financial year, an amount equal to the actual pre-tax operating profit (after adding back depreciation, any exceptional items, any customer rebates, any infrastructure renewals charge and any impairment of fixed assets written off and deducting any amortisation of fixed asset grants and contributions (as such terms are used in, and each case calculated in accordance with the methodology used in, the most recent financial statements of the Glas Group)) of the Glas Group (on a consolidated basis) for such financial year.

"**RAV**" means, in relation to a Calculation Date, the regulated asset value for such Calculation Date as last determined by the WSRA (interpolated as necessary) and adjusted as appropriate for out-turn inflation.

"**Total Net Indebtedness**" means, as at any date, all the Issuer's nominal debt outstanding under and in connection with the Bonds (excluding any Class D Bonds) and any other indebtedness for borrowed money of the Glas Group (on a consolidated basis) including all principal indexation on any such liabilities which are indexed together with any accrued but unpaid interest but after adding back any costs of the issue of or premia associated with the Bonds (excluding any Class D Bonds) (to the extent such costs or premia are not already

included in the nominal debt outstanding under and in connection with the Bonds) and less cash (excluding an amount equal to any customer rebate declared by DCC for the following year to the extent that there are funds in the Customer Payment Account to pay such a rebate) and cash investments.

Both the ICR and the RAR relate to the Glas Group on a consolidated basis and are required to be calculated on a backward-looking basis and projected on a forward-looking basis on each Calculation Date.

If the ICR falls below 1.75:1 or the RAR rises above 0.925:1 then DCC is required to apply to the WSRA for an interim determination on any available grounds (see Chapter 5 "*Water Regulation*" under "*Interim Determinations of K*" for further details on Interim Determinations).

Whenever DCC seeks an Interim Determination or there is a periodic review, it must apply to the WSRA for a determination which will allow it to maintain a minimum credit rating in the A category for Class B and Class R Bonds and a minimum "shadow" credit rating in the A category for Class A Bonds.

There is flexibility to alter the ratio threshold levels and the minimum and maximum levels specified above for these financial ratios with the agreement of the DCC Security Trustee and additionally provided that two of the Rating Agencies confirm that the alteration will not lead to a downgrade of the rating for any of the Bonds (other than Class D Bonds) below their respective ratings on the date of their original issue.

DCC is not permitted to raise new debt (other than debt which is subordinate to Class C Bonds) unless it meets certain ratio tests (subject to an exception). To raise new senior debt, the Senior RAR (as defined below and each calculated on the basis of taking into account such proposed senior debt) must be equal to or less than 75 per cent. for the current and each future financial year until the next periodic review. To raise new debt ranking *pari passu* with Class C Bonds (calculated on the basis of taking into account such proposed debt), the RAR must be equal to or less than 86 per cent. for the current and each future financial year until the next periodic review.

If these ratio levels would be breached, DCC is only permitted to raise new debt if:

- two of the Rating Agencies confirm that the raising of the proposed new debt will not result in any Bonds (other than any Class D Bonds) being rated below the rating at the time the Bonds were issued; and
- the consent of the DCC Security Trustee to the raising of the proposed new debt has been obtained.

"**Senior RAR**" means the ratio of Senior Total Net Indebtedness to RAV.

"**Senior Total Net Indebtedness**" means, as at any date, all the Issuer's nominal debt outstanding under and in connection with the Senior Bonds and DCC's nominal debt outstanding under and in connection with the DCC Finance Leases and any other senior debt including all principal indexation on any such liabilities which are indexed together with any accrued but unpaid interest but after adding back any costs of the issue of or premia associated with the Senior Bonds (to the extent such costs or premia are not already included in the nominal debt outstanding under and in connection with the Senior Bonds) and less cash (excluding an amount equal to any customer rebate declared by DCC for the following year to the extent that there are funds in the Customer Payment Account to pay such a rebate) and cash investments.

Guarantor Covenants

Under the Common Terms Agreement, each Guarantor covenants in favour of the DCC Secured Creditors, *inter alia*, to provide the DCC Security Trustee, the other DCC Secured Creditors and the Issuer Secured Creditors with certain financial and other information, to pay all taxes due in a timely manner, to comply with all laws, all DCC Transaction Documents to which it is a party and to notify the DCC Security Trustee of any potential DCC Event of Default or DCC Event of Default under the Common Terms Agreement of which it becomes aware. In addition, each Guarantor covenants, *inter alia*, not to carry on any business other than that of a holding company incur any liabilities, permit any encumbrance to subsist or have any employees or premises (subject to such exceptions as may be required to enable Glas or, as the case may be, Glas Securities

to conduct its permitted business) or acquire or establish any further subsidiaries (excluding in the case of Glas any subsidiaries ("**Relevant Subsidiaries**") as may be required for the sole purpose of (i) acquiring Bonds of any Class issued from time to time by the Issuer after the Initial Issue Date and issuing preference shares to any person and/or subscribing for preference shares issued by another Relevant Subsidiary; and (ii) entering into documentation relating to the same (including put and call options with any holder of any preference shares or any trustee on behalf of such holder)).

Trigger Events

The Common Terms Agreement also sets out certain trigger events (the "**Trigger Events**"), the occurrence of which will enable the DCC Security Trustee, acting on the instructions of a Beneficiary Instructing Group, to require DCC to take certain remedial action. The specific Trigger Events and the consequences which flow from the occurrence of those events (the "**Trigger Event Consequences**", as described more particularly at "**Trigger Event Consequences**" below) are summarised below.

Trigger Events

The occurrence of any of the following events is a Trigger Event for the purposes of the DCC STID:

(1) ICR and RAR

On any Calculation Date:

(i) the ICR for the previous financial year or for any financial year up to the next periodic review is or is estimated to be less than 2.0:1;

(ii) the RAR for the previous financial year or for any financial year up to the next periodic review is or is estimated to be more than 0.85:1; or

(iii) the ICR (adjusted to deduct actual or planned capital maintenance expenditure from the numerator) is less than 1:1.

See "*DCC Covenants – Financial*" above for further details of the financial ratios referred to above.

(2) Credit Rating Downgrade

(i) the shadow credit rating of the Class A Bonds by any two of the Rating Agencies falls to BBB, Baa2 or BBB respectively or below;

(ii) the credit rating of the Class B Bonds or Class R Bonds by any two of the Rating Agencies falls to BBB, Baa2 or BBB respectively or below; or

(iii) the credit rating of the Class C Bonds by any two of the Rating Agencies falls below investment grade.

Each credit rating referred to above is the "**Trigger Credit Rating**" for the relevant Class of Bonds.

(3) Debt Service Payment Account Shortfalls

The failure to maintain the required credit balance in the Debt Service Payment Account on the required day.

(4) Capex Reserve Shortfalls

As at any Calculation Date, the aggregate of (i) the amount credited to the Reserves Account and (ii) the undrawn commitment under (a) Tranche R2 under the Intercompany Loan Agreement entered into on the Initial Issue Date and any replacement or supplemental facility provided for capital expenditure under any further Intercompany Loan Agreement and (b) any Authorised Loan Facility made available to DCC for capital expenditure ((i) and (ii) together, the ("**Capex Reserve Facility Amount**") is less than the amount (the "**Net Capex Requirement**") equal to the difference between (x) the forecast capital expenditure requirement of DCC for the twelve months following such Calculation Date and

(y) the amount of operating cashflow forecast as at such Calculation Date to be available to fund such capital expenditure during such twelve month period and the Capex Reserve Facility Amount is less than the Net Capex Requirement on the date which is two months after such Calculation Date.

(5) Drawdown on Liquidity Facility

The Issuer draws down under any Liquidity Facility (except for the purpose of making a Standby Drawing).

(6) Enforcement Orders

The making of any Enforcement Order (as defined in the WIA) under Part II, Chapter II of the WIA against DCC which would reasonably be expected to lead to the loss of the Instrument of Appointment or a material fine being levied against DCC.

(7) Circumstances leading to a Special Administration Order

Any indication arising from notices and/or correspondence issued by, or during correspondence with, the WSRA or any other circumstance of which DCC is aware that would reasonably be expected to lead to an application by the WSRA or the Welsh Government for a special administration order to be made in respect of DCC.

(8) Termination of Instrument of Appointment

The giving of a notice to terminate DCC's Instrument of Appointment under the WIA.

(9) Event of Default

A DCC Event of Default occurs which is continuing.

(10) Material Entity Event

A Material Entity Event occurs which is continuing.

Trigger Event Consequences

Following the occurrence of a Trigger Event and at any time until such Trigger Event has been waived by the DCC Security Trustee, remedied in accordance with Trigger Event Remedies (as described below) or otherwise remedied to the satisfaction of the DCC Security Trustee, the provisions set out below shall apply:

(1) No Restricted Payments

DCC shall not make any Restricted Payments and, in respect of customer rebates, if these have not yet been implemented, shall stop their implementation and shall not declare any customer rebates.

(2) Further Information and Remedial Action

(i) DCC shall provide such information as to the relevant Trigger Event (including its causes and effects) as may be requested by the DCC Security Trustee.

(ii) DCC shall discuss and agree with the DCC Security Trustee (the agreement of the DCC Security Trustee not to be unreasonably withheld or delayed) its plans for appropriate remedial action and the timetable for implementation of such action. The agreed remedial plan shall then be implemented by DCC.

(3) Independent Review

(i) The DCC Security Trustee may, at its discretion, commission an independent review (the "**Independent Review**") to be undertaken on the timetable stipulated by the DCC Security Trustee. The Independent Review will be conducted by technical advisers to the DCC Security

Trustee appointed from time to time or such other person as the DCC Security Trustee may decide.

(ii) The Independent Review shall examine the causes of the relevant Trigger Event and recommend appropriate corrective measures.

(iii) DCC shall cooperate with the person appointed to prepare the Independent Review including providing access to its books and records and personnel and facilities as may be required for those purposes.

(4) Consultation with the WSRA

The DCC Security Trustee shall be entitled to discuss the relevant Trigger Event and the agreed remedial plan with the WSRA at any time.

(5) Appointment of Additional Non-executive Directors

If the relevant Trigger Event has not otherwise been remedied or waived and:

(i) the agreed remedial plan has not been implemented to the reasonable satisfaction of the DCC Security Trustee within the agreed timetable;

(ii) any agreed remedial plan does not continue to be implemented to the reasonable satisfaction of the DCC Security Trustee; or

(iii) DCC and the DCC Security Trustee fail to agree on a remedial plan within the stipulated time limit,

the DCC Security Trustee shall be entitled to procure the appointment of additional non-executive directors to the board of DCC.

In respect of any of the Trigger Event Consequences described above which require the DCC Security Trustee to exercise its discretion, it shall do so upon instructions of the Beneficiary Instructing Group. The DCC Security Trustee is entitled to assume that no Trigger Event has occurred unless informed otherwise.

Trigger Event Remedies

At any time when DCC believes that a Trigger Event has been remedied by virtue of any of the following, it shall serve notice on the DCC Security Trustee to that effect, and the DCC Security Trustee shall respond within the agreed time limit confirming that the relevant Trigger Event has, in its reasonable opinion, been remedied or setting out its reasons for believing that such Trigger Event has not been remedied (in which case, such event shall continue to be a Trigger Event until such time as the DCC Security Trustee is reasonably satisfied that the Trigger Event has been remedied).

The following shall constitute remedies to the Trigger Events:

(1) ICR and RAR

The occurrence of a Trigger Event referred to in paragraph 1 of Trigger Events shall be remedied if, on any subsequent date:

(i) the ICR for the immediately preceding financial year is, and for each subsequent financial year until the next periodic review is projected to be, 2.0:1 or greater; and

(ii) the RAR for the immediately preceding financial year is, and for each subsequent financial year until the next periodic review is projected to be, 0.85:1 or less; and

(iii) the ICR for the immediately preceding financial year is, and for each subsequent financial year is projected to be, (adjusted to deduct actual or planned capital maintenance expenditure from the numerator) is greater than 1:1.

(2) Credit Rating Downgrade

The occurrence of a Trigger Event referred to in paragraph 2 of Trigger Events shall be remedied if the credit rating of the relevant class of Bonds given by any two of the Rating Agencies is above the Trigger Credit Rating.

(3) Debt Service Payment Account Shortfall

The occurrence of a Trigger Event referred to in paragraph 3 of Trigger Events shall be remedied if the credit balance of the Debt Service Payment Account is restored to the required level.

(4) Capex Reserve Shortfalls

The occurrence of a Trigger Event referred to in paragraph 5 of Trigger Events shall be remedied on any subsequent date if the Capex Reserve Facility Amount is equal to or greater than the Net Capex Requirement for the twelve months immediately following the relevant Calculation Date.

(5) Drawdown on Liquidity Facility

The occurrence of a Trigger Event referred to in paragraph 6 of Trigger Events shall be remedied if the drawing under the relevant Liquidity Facility is repaid in full without such repayment being funded by the making of any further drawing under that Liquidity Facility and that such Liquidity Facility or another Liquidity Facility is available for drawing in the future.

(6) Enforcement Orders

The occurrence of a Trigger Event referred in paragraph 7 of Trigger Events shall be remedied if DCC has complied with the terms of the relevant Enforcement Order to the reasonable satisfaction of the DCC Security Trustee or if the Enforcement Order has been effectively withdrawn or if, in the opinion of the DCC Security Trustee (acting reasonably), the relevant fine will not have a Material Adverse Effect or that the Instrument of Appointment will not be terminated.

(7) Circumstances leading to a Special Administration Order

The occurrence of a Trigger Event referred to in paragraph 8 of Trigger Events shall be remedied if (a) a special administration order is not made within six months of the relevant Trigger Event occurring or (b) the DCC Security Trustee is reasonably satisfied that a special administration order will not be made in respect of DCC.

(8) Termination of Instrument of Appointment

The occurrence of a Trigger Event referred to in paragraph 9 of Trigger Events will be remedied by agreement by DCC of a transfer scheme which is reasonably satisfactory to the DCC Security Trustee.

(9) Event of Default

The occurrence of a Trigger Event referred to in paragraph 10 of Trigger Events will be remedied upon the acceptance by the DCC Security Trustee of an agreed remedial plan and implementation of such plan has commenced to the reasonable satisfaction of the DCC Security Trustee.

(10) Material Entity Event

The occurrence of a Trigger Event referred to in paragraph 11 of Trigger Events will be remedied upon the acceptance by the DCC Security Trustee of an agreed remedial plan and implementation of such plan has commenced to the reasonable satisfaction of the DCC Security Trustee.

In respect of any of the Trigger Event Remedies described above which require the DCC Security Trustee to exercise its discretion, it shall do so upon instructions of the Beneficiary Instructing Group, and any reference to reasonableness and reasonable time shall be interpreted accordingly.

DCC Events of Default

The Common Terms Agreement contains a number of events of default (the "**DCC Events of Default**"). Subject to agreed exceptions, materiality qualifications and grace periods, DCC Events of Default include non-payment, misrepresentation, breach of covenant (including financial covenants and failure to comply with the Outsourcing Policy), default under DCC's own contracts, insolvency events (including special administration), insolvency proceedings (including the appointment of a special administrator), execution or distress, failure to comply with final judgment, a change of control of any Obligor, illegality, governmental intervention, litigation, change of business, termination of the Instrument of Appointment or, if a notice to terminate the Instrument of Appointment is served, the failure to implement an agreed transfer scheme at least two years prior to the termination date specified in such notice.

In respect of each DCC Event of Default requiring any action or discretion on the part of the relevant creditor, the relevant Security Trustee will act in accordance with the instructions of the Beneficiary Instructing Group or the Issuer Instructing Group in accordance with the DCC STID and the Issuer STID, respectively.

The occurrence of a DCC Event of Default will automatically give rise to a Standstill Event under the DCC STID (see "*DCC STID*" below).

DCC Deed of Charge

DCC has entered into a deed of charge (the "**DCC Deed of Charge**") with the DCC Security Trustee pursuant to which DCC has secured its obligations to the DCC Secured Creditors. The creation, perfection and enforcement of such security is each subject to the WIA, the Instrument of Appointment and requirements thereunder. The DCC Deed of Charge, to the extent applicable, incorporates the provisions of the Common Terms Agreement.

The security constituted by the DCC Deed of Charge (the "**DCC Security**") is expressed to include a first fixed charge over DCC's right, title and interest from time to time in and to:

(i) any real property currently owned by DCC or acquired after the date of the DCC Deed of Charge;

(ii) the proceeds of disposal of any protected land;

(iii) any tangible moveable property;

(iv) DCC's Accounts;

(v) any intellectual property rights owned by DCC;

(vi) any goodwill and rights in relation to the uncalled capital of DCC;

(vii) each investment of DCC's funds in certain eligible investments;

(viii) all shares of DCC in Welsh Water Utilities Finance Plc, or any other subsidiary of DCC from time to time, all dividends, interest and other monies payable in respect thereof and all other rights related thereto;[1] and

(ix) an assignment of DCC's right, title and interest from time to time in and to:

(1) the proceeds of any insurance policies and all rights related thereto;

(2) all rights and claims in relation to the DCC Accounts;

(3) all contracts (subject to certain exceptions) with third parties;

[1] Note: Welsh Water Utilities Finance Plc was liquidated on 29 September 2017.

(4) all monetary claims and all rights related thereto, including all accounts receivable (and to the extent that any accounts receivable cannot be effectively assigned as described, DCC shall hold the same on trust for the DCC Security Trustee absolutely);

(5) the DCC Transaction Documents; and

(6) a first floating charge of the whole of the undertaking, property, assets and rights whatsoever and wheresoever present and future of DCC,

to the extent that, in all cases, such security is not created over protected land or would otherwise contravene the terms of the WIA, the Instrument of Appointment and requirements thereunder, or any other applicable statute or law.

The DCC Security is held on trust by the DCC Security Trustee for itself and on behalf of the DCC Secured Creditors in accordance with and subject to the terms of the DCC STID.

For a description of certain limitations on the ability of DCC to grant security and certain limitations and restrictions on the security purported to be granted, see Chapter 5 "*Water Regulation*" under "*Security*". In addition, notice of the creation of the DCC Security has not been given initially to DCC's customers or to DCC's contractual counterparties in respect of its contracts (other than certain material contracts). Each charge over DCC's land as purported to be granted also takes effect in equity only. Accordingly, until any such assignment is perfected, registration effected with HM Land Registry in respect of registered land or certain other action is taken in respect of unregistered land, any such assignment or charge may be or become subject to prior equities arising (such as rights of set-off).

Guarantor Security

Each of the Guarantors has entered into a guarantee and deed of charge (respectively, the "**Holdings Deed of Charge**", the "**Glas Securities Deed of Charge**" and the "**Glas Deed of Charge**" and, together, the "**Deeds of Charge**") with the DCC Security Trustee, for itself and on behalf of the DCC Secured Creditors, pursuant to which each of them has guaranteed to the DCC Security Trustee, for itself and on behalf of the DCC Secured Creditors, the obligations of DCC to the DCC Secured Creditors.

The guarantee from Holdings (the "**Holdings Guarantee**") is secured by a first fixed charge over its shares in DCC and the Issuer and a first ranking floating charge over all the assets and undertaking of Holdings. The guarantee from Glas Securities (the "**Glas Securities Guarantee**") is secured by first fixed charges over its shares in Holdings and a first ranking floating charge over all the assets and undertaking of Glas Securities. The guarantee from Glas (the "**Glas Guarantee**" and, together with the Holdings Guarantee and the Glas Securities Guarantee, the "**Guarantees**") is secured by a first fixed charge over its shares in Glas Securities and a first ranking floating charge over all the assets and undertaking of Glas.

Each of the Deeds of Charge, to the extent applicable, incorporates the provisions of the Common Terms Agreement.

The Holdings Guarantee and the security constituted by the Holdings Deed of Charge (the "**Holdings Security**"), the Glas Securities Guarantee and security constituted by the Glas Securities Deed of Charge (the "**Glas Securities Security**") and the Glas Guarantee and security constituted by the Glas Deed of Charge (the "**Glas Security**" and, together with the Holdings Security, and the Glas Securities Security, the "**Guarantor Security**") is held by the DCC Security Trustee for itself and on behalf of the DCC Secured Creditors in accordance with, and subject to, the terms of the DCC STID and will be enforceable if (a) the respective Guarantor defaults under its respective Deed of Charge which default or breach is not remedied, (b) such Guarantor breaches any of its covenants set out in the Common Terms Agreement which default or breach is not remedied or (c) a DCC Event of Default occurs. In addition, if a Guarantor breaches any of its respective representations, warranties or covenants under the Common Terms Agreement and such breach is not remedied within any applicable grace period or if a Standstill occurs, such Guarantor will jointly and severally

be obliged, together with each other Guarantor, to deposit in an account with the Account Bank in the name of the DCC Security Trustee by way of security for its guarantee obligations the aggregate principal amount outstanding under the Intercompany Loan Agreements.

None of Holdings, Glas Securities or Glas has any significant assets other than the shares in their respective subsidiaries.

For the avoidance of doubt, although the Guarantor Security indirectly supports the payment obligations of DCC under, among others, the Intercompany Loan Agreements, it should be noted that none of the Guarantors own any significant assets (other than their direct or indirect interest in the shares of DCC). In addition, none of the Guarantors accept any liability whatsoever in respect of any failure by the Issuer to make any payment of any amount due on the Bonds.

Glas Holdings Security

Glas Holdings has entered into a deed of charge (the "**Glas Holdings Deed of Charge**") with the DCC Security Trustee (for itself and on behalf of the DCC Secured Creditors), pursuant to which Glas Holdings has provided a covenant to pay to the DCC Security Trustee, for itself and on behalf of the DCC Secured Creditors, the Glas Holdings Secured Liabilities (if such liabilities have become due and payable and, after the expiry of any applicable grace period, have not been paid).

The covenant to pay from Glas Holdings is secured by a first fixed charge over its shares in Glas and any shares in any subsidiary directly owned Glas Holdings in the future.

The security constituted by the Glas Holdings Deed of Charge is held by the DCC Security Trustee for itself and on behalf of the DCC Secured Creditors in accordance with, and subject to, the terms of the DCC STID and will be enforceable if any of the DCC Security Documents becomes enforceable in accordance with their respective terms.

For the avoidance of doubt, Glas Holdings has not entered into a guarantee under the Glas Holdings Deed of Charge and so is not a Guarantor (unlike Glas, Glas Securities and Holdings who have each provided the Guarantees).

"**Glas Holdings Security Documents"** means the Glas Holdings Deed of Charge and any other document which may be designated by Glas Holdings and the DCC Security Trustee as a Glas Holdings Security Document evidencing or granting security for the Glas Holdings Secured Liabilities.

"**Glas Holdings Secured Liabilities**" means all present and future sums, liabilities and obligations whatsoever (actual or contingent) payable, owing, due or incurred by Glas Holdings to the DCC Security Trustee under the Glas Holdings Deed of Charge.

DCC STID

Each of the DCC Security Trustee and the other DCC Secured Creditors, DCC, Holdings, Glas Securities, Glas, the Issuer Security Trustee and the DCC Security Trustee entered into, on the Initial Issue Date, or in the case of certain DCC Secured Creditors and Glas Holdings, subsequently acceded to, the DCC STID pursuant to which, *inter alia*, the DCC Security Trustee has been appointed as trustee of the DCC Security, and of the Guarantor Security. The DCC STID regulates, *inter alia*, the rights of the DCC Secured Creditors to require the DCC Security Trustee to enforce the DCC Security and the Guarantor Security and sets out the ranking in point of payment of the claims of the DCC Secured Creditors to the proceeds of such enforcement.

The DCC Security Trustee acts as trustee on behalf of the DCC Secured Creditors in connection with the DCC Security and the Guarantor Security. In such capacity, the DCC Security Trustee has agreed that it will exercise any right which it may have in respect of the DCC Transaction Documents only as directed by the

Beneficiary Instructing Group (subject to certain entrenched rights and reserved matters). See "*Intercreditor Arrangements*" above.

The DCC STID provides that except with respect to any vote which would have the effect of terminating any Standstill (as to which, see "Standstill" below), the DCC Security Trustee will take action only when the instructions for or against such matter exceed 50 per cent. of the Qualified DCC Secured Liabilities. In each case, the DCC Security Trustee will not be liable to any person in relation to actions taken or not taken by it and will not be obliged to take action unless indemnified and/or secured to its satisfaction.

Entrenched Rights of DCC Secured Creditors

The rights of a Beneficiary Instructing Group to make decisions as to, *inter alia*, waivers of DCC Events of Default, modifications to DCC Transaction Documents and other issues potentially affecting the rights of one or more DCC Secured Creditors are subject to certain entrenched rights of each DCC Secured Creditor. These entrenched rights cannot be changed without the consent of the relevant DCC Secured Creditors and include any:

- change to their ranking in priority as against other DCC Secured Creditors;
- change to the date fixed for payment of principal or interest under, or reduction in the amount of principal or interest payable on any date or any alteration in the method of calculating the amount or date of any payment under, any DCC Transaction Document;
- substitution of the principal obligor under any DCC Transaction Document;
- change in the currency of any payment due under a DCC Transaction Document; or
- modification of certain key terms in the DCC Transaction Documents.

Undertakings of DCC Secured Creditors

Pursuant to the terms of the DCC STID each DCC Secured Creditor (other than the DCC Security Trustee) undertakes that it will not, unless the Beneficiary Instructing Group otherwise agrees:

- permit or require any of DCC, Holdings, Glas Securities and Glas (each an "**Obligor**") to discharge any of the DCC Secured Liabilities (as defined in the Common Terms Agreement) owed to it save to the extent permitted by the Common Terms Agreement and the DCC STID;
- permit or require any Obligor to pay, prepay, redeem, purchase, early or voluntarily terminate or otherwise acquire any of the DCC Secured Liabilities owed to it save to the extent permitted by the Common Terms Agreement and the DCC STID;
- take, accept or receive the benefit of any security interest, guarantee, indemnity or other assurance against financial loss in respect of any of the DCC Secured Liabilities owed to it except the security interests under the DCC Security Documents and the Glas Holdings Security Documents;
- take or receive from any of the Obligors by cash receipt, set-off or in any other manner whatsoever, the whole or any part of the DCC Secured Liabilities owed to it (save as permitted by the terms of the Common Terms Agreement and the DCC STID); or
- subject to agreed exceptions, agree to any amendment of the DCC Transaction Documents to which it is a party.

Undertakings of Obligors

Pursuant to the terms of the DCC STID, each Obligor has undertaken that it will not, unless the Beneficiary Instructing Group otherwise agrees:

- discharge any of the DCC Secured Liabilities save to the extent permitted by the Common Terms Agreement and the DCC STID;

- pay, prepay, redeem, purchase, early or voluntarily terminate or otherwise acquire any of the DCC Secured Liabilities or Glas Holdings Secured Liabilities owed by it save to the extent permitted by the Common Terms Agreement and the DCC STID;
- create or permit to subsist any security interest over any of its assets for, or any guarantee, indemnity or other assurance against financial loss in respect of any of the DCC Secured Liabilities owed by it except the security interests under or pursuant to the terms of the DCC Security Documents or Glas Holdings Security Documents;
- discharge any of the DCC Secured Liabilities or Glas Holdings Secured Liabilities by set-off, any right of combination of accounts or otherwise (save as permitted by the terms of the Common Terms Agreement and the DCC STID);
- subject to agreed exceptions, agree to any amendment to the DCC Transaction Documents to which it is a party; or
- take or omit to take any action whereby any subordination contemplated by the DCC STID may be impaired.

Standstill

Immediately upon notification to the DCC Security Trustee of the occurrence of a DCC Event of Default under the Common Terms Agreement or the occurrence of any deferral of interest in respect of any amount of interest payable on each DCC Payment Date in respect of each Term Advance and Revolving Advance (each as defined below) (a "**Scheduled Interest Amount**") under any advance of the proceeds of Class C Bonds under any Intercompany Loan Agreement (each such occurrence a "**Standstill Event**"), the DCC STID provides for an automatic standstill of claims of the DCC Secured Creditors against DCC (the "**Standstill**"). The period of the Standstill (the "**Standstill Period**") will be the period from the date of such notification to the earlier of (i) except in the case of a Standstill Extension, the date on which a Beneficiary Instructing Group comprising more than 66⅔ per cent. of the aggregate BIG Outstanding Principal Amount of the Qualified DCC Secured Liabilities elects to terminate the Standstill, (ii) the date on which a petition is presented for the special administration of DCC, (iii) the date on which the Standstill Event is remedied or waived, (iv) the date on which any acceleration of the Issuer Secured Liabilities occurs, and (v) in the case of a Standstill Extension, the date on which the relevant percentage of the aggregate BIG Outstanding Principal Amount of the Qualified DCC Secured Liabilities elects to terminate the Standstill.

During the Standstill Period:

- none of the DCC Secured Creditors will be entitled to accelerate any of the DCC Secured Liabilities or direct the DCC Security Trustee to take any steps to recover payment of any DCC Secured Liabilities from DCC or to enforce the DCC Security save to the extent permitted by the Common Terms Agreement and the DCC STID;
- the Guarantor Security will be enforceable at any time by the DCC Security Trustee at the direction of the Beneficiary Instructing Group; and
- the claims of the DCC Secured Creditors will be ranked in accordance with the DCC Standstill Priority (see "*DCC Cash Management*" below).

In the event that a Standstill Period has not been terminated prior to the date 18 months after the occurrence of the Standstill Event, on or before the last day of such 18 month period the Beneficiary Instructing Group will vote whether to terminate the Standstill Period. Unless the Beneficiary Instructing Group comprising those DCC Secured Creditors holding more than 66⅔ per cent. of the DCC Secured Liabilities determines to terminate the Standstill Period, the Standstill Period will be extended (a "**Standstill Extension**") for a period of two months. On or before the last day of the Standstill Extension a further vote of the Beneficiary Instructing Group will be taken, provided that, for the purposes of such further vote (the "**Second Standstill**

Vote"), the Beneficiary Instructing Group shall comprise those DCC Secured Creditors holding more than 50 per cent. of the DCC Secured Liabilities. Unless the Beneficiary Instructing Group determines to terminate the Standstill Period at the Second Standstill Vote, a Standstill Extension of another two months will occur. On or before the last day of the second Standstill Extension, a third vote (the "**Third Standstill Vote**") of the Beneficiary Instructing Group will be taken, provided that, for the purposes of such Third Standstill Vote, the Beneficiary Instructing Group shall comprise those DCC Secured Creditors holding more than 33⅓ per cent. of the DCC Secured Liabilities. Unless the Beneficiary Instructing Group determines to terminate the Standstill Period at the Third Standstill Vote, a Standstill Extension of another two months will occur. On or before the last day of the third Standstill Extension, a fourth vote (the "**Fourth Standstill Vote**") of the Beneficiary Instructing Group will be taken, provided that, for the purposes of such Fourth Standstill Vote, the Beneficiary Instructing Group shall comprise those DCC Secured Creditors holding more than 10 per cent. of the DCC Secured Liabilities. Unless the Beneficiary Instructing Group determines to terminate the Standstill Period at the Fourth Standstill Vote, a Standstill Extension of another six months will occur. On or before the last day of the Fourth Standstill Extension, a fifth vote (the "**Fifth Standstill Vote**") of the Beneficiary Instructing Group will be taken, provided that, for the purposes of such Fifth Standstill Vote, the Beneficiary Instructing Group shall comprise those DCC Secured Creditors holding more than 5 per cent. of the DCC Secured Liabilities. Unless the Beneficiary Instructing Group determines to terminate the Standstill at the Fifth Standstill Vote, the Standstill shall continue until the Beneficiary Instructing Group comprising DCC Secured Creditors comprising those DCC Secured Creditors holding more than 5 per cent. of the DCC Secured Liabilities determines to terminate the Standstill and a vote shall be taken on the expiry of each period of two months for so long as the Standstill continues. Accordingly, provided the thresholds above are met, the Standstill Period will terminate notwithstanding any votes to the contrary. Following termination of the Standstill Period, if a DCC Event of Default is still continuing, any DCC Secured Creditor may accelerate its DCC Secured Liabilities, at which point all other DCC Secured Liabilities will automatically accelerate, and the enforcement of the DCC Security and the Guarantor Security shall be undertaken by the DCC Security Trustee on behalf of the DCC Secured Creditors pursuant to the provisions of the DCC STID.

Standstill Cash Manager

Following the occurrence of a Standstill Event and for so long as a Standstill Period subsists, money credited to the Debt Service Payment Account will be applied by the Standstill Cash Manager in accordance with the DCC Standstill Priority and the Standstill Cash Management Agreement (see "*DCC Standstill Priority*" below).

Enforcement

Subject to certain matters and with certain exceptions, following an enforcement, any proceeds of enforcement or other monies held by the DCC Security Trustee under the DCC STID will be applied by the DCC Security Trustee in accordance with the DCC Post-Enforcement Payments Priorities (see "*DCC Cash Management*" below).

Accession of Additional DCC Secured Creditors

The DCC STID requires that, to the extent that DCC wishes any Authorised Lender, further DCC Finance Lessor or other person to obtain the benefit of the DCC Security, such Authorised Lender, further DCC Finance Lessor or other person must sign an accession memorandum whereby it agrees to be bound by the terms of the DCC STID, including those provisions which prohibit individual DCC Secured Creditors from taking certain actions against DCC without the consent of the DCC Security Trustee and/or the Beneficiary Instructing Group. Such additional DCC Secured Creditor will also be required to accede to the terms of the Common Terms Agreement.

Master Framework Agreement

Introduction

The Issuer Security Trustee, for itself and on behalf of the Issuer Secured Creditors, the Cash Manager and DCFL, on the Initial Issue Date, entered into a master framework agreement (as amended, the "**Master Framework Agreement**") in respect of which the Issuer has been substituted in place of DCFL and DCFL has ceased to be a party. The Master Framework Agreement sets out the common terms, representations, warranties and covenants (positive, negative and financial) (collectively, the "**Issuer Common Terms**") which, to the extent incorporated, applies to the Trust Deed, the Issuer Deed of Charge, the Liquidity Facility Agreements, the Hedging Agreements, the Paying Agency Agreement, the Issuer STID and certain other agreements between or in respect of the Issuer and the Issuer Secured Creditors. It also contains the Issuer cash management provisions (see "*Issuer Cash Management*" below).

Issuer Warranties and Covenants

The Issuer provides warranties and covenants standard for a special purpose vehicle of its sort issuing debt obligations such as the Bonds. The Issuer's warranties include (i) corporate warranties in respect of its due incorporation, solvency and residency and in respect of there being no breaches of its general obligations, no litigation involving it or its assets, no outstanding consents required for its business and no involvement in business activities other than as permitted by the Issuer Transaction Documents (as defined below); and (ii) transaction warranties in respect of the due authorisation and execution of the Issuer Transaction Documents, the due issuance of and the status and ranking of the Bonds and the absence of any outstanding consents or breaches of its obligations in respect of the Bonds.

The Issuer's covenants include (i) corporate covenants to prepare audited financial statements, to conduct its business in accordance with applicable law, to obtain all necessary consents and, other than as permitted by or pursuant to the Issuer Transaction Documents, not to carry on any business, incur any indebtedness, permit to exist or create any security, make any loans, merge or consolidate with any other entity or amend its constitutional documents or any of the agreements to which it is party; (ii) transaction covenants to comply with all its obligations under the Issuer Transaction Documents, to preserve all its rights thereunder, to provide the Issuer Secured Creditors with all necessary information and to notify the relevant parties of any Issuer Event of Default or potential Issuer Event of Default; (iii) asset covenants to maintain proper books and records in respect of its assets, to protect all its rights in respect thereof and to take all such further actions as may be necessary to preserve its assets; and (iv) bond covenants to obtain and maintain the listings of the Bonds, to provide all notices under the Conditions (including to the Bondholders, the Paying Agents, the Transfer Agents, the Registrar and the Rating Agencies) and to notify the appropriate parties of potential late payments or any proposed early redemptions of any of the Bonds.

Issuer Events of Default

The Issuer Events of Default are set out in Condition 11(a) in Chapter 7: "*Terms and Conditions of the Bonds*".

The Issuer Deed of Charge

DCFL, on the Initial Issue Date, entered into a deed of charge (the "**Initial Issuer Deed of Charge**") with the Issuer Security Trustee (for itself and on behalf of the Bond Trustee (for itself and on behalf of the Bondholders), the Financial Guarantors, the Liquidity Facility Providers, the Hedge Counterparties, the Account Bank, the Authorised Lenders, the Registrar, the Transfer Agents, the Paying Agents, the Agent Bank, the Cash Manager, any receiver and any other creditor of the Issuer which accedes to the Issuer STID (together the "**Issuer Secured Creditors**")). Following a reorganisation in 2019, the Issuer was substituted in place of DCFL and the Issuer entered into a deed of charge dated 1 August 2019 (the "**Issuer Deed of Charge**") with the Issuer Security Trustee on substantially the same terms as the Initial Issuer Deed of Charge.

Pursuant to the Issuer Deed of Charge, the Issuer secured its obligations to the Issuer Secured Creditors by granting the following security:

- a first fixed sub-charge of the benefit of the Issuer's interest in and to the DCC STID;
- a first fixed charge of each investment of the Issuer's funds in certain eligible investments;
- a first fixed charge of the benefit of the Issuer Accounts and any bank or other accounts in which the Issuer may at any time have or acquire any benefit;
- an assignment of the benefit of each Issuer Transaction Document; and
- a first floating charge of the whole of the undertaking, property, assets and rights whatsoever and wheresoever present and future of the Issuer,

such security expressly to exclude all monies constituting the issued share capital of the Issuer not otherwise utilised by the Issuer from time to time and the corporate benefits fee of £1,000 payable by DCC to the Issuer on the Initial Issue Date.

The Issuer Deed of Charge, to the extent applicable, incorporates the Issuer Common Terms as set out in the Master Framework Agreement.

The Issuer Security is held on trust by the Issuer Security Trustee for itself and on behalf of the Issuer Secured Creditors in accordance with, and subject to, the Issuer Deed of Charge and the Issuer STID.

Issuer STID

DCFL, the Issuer Security Trustee, the Bond Trustee (for itself and on behalf of the Bondholders), MBIA Assurance S.A., The Royal Bank of Scotland plc and Lloyds TSB Bank plc (the "**Initial Liquidity Providers**"), Citibank, N.A. and The Royal Bank of Scotland plc (the "**Initial Hedge Counterparties**"), The Royal Bank of Scotland plc (the "**Initial Authorised Lender**"), the Account Bank, the Principal Paying Agent, the Paying Agent, the Cash Manager, the Agent Bank, the Registrar and the Transfer Agent, among others, on the Initial Issue Date, entered into the Issuer STID. Following a reorganisation in 2019, the Issuer was substituted in place of DCFL and DCFL ceased to be a party to the Issuer STID. Certain additional Issuer Secured Creditors have subsequently acceded or will accede to the Issuer STID, including the Current Authorised Lenders and the Initial Financial Guarantor. Under the Issuer STID, the Issuer Security Trustee was appointed as trustee for the Issuer Secured Creditors and the parties agreed to certain intercreditor arrangements. The composition of the Issuer Instructing Group through which instructions will be given to the Issuer Security Trustee in respect of, *inter alia*, the exercise of any rights of the Issuer under the DCC Transaction Documents or the enforcement of the DCC Security or the Guarantor Security or the giving of any consent or the making of any amendments has been described previously (see "*Intercreditor Arrangements*" above).

Entrenched Rights of Issuer Secured Creditors

The rights of an Issuer Instructing Group to make decisions as to matters potentially affecting the rights of one or more Issuer Secured Creditors are subject to certain entrenched rights of each Issuer Secured Creditor. The specific entrenched rights of each of the Issuer Secured Creditors are intended to ensure that an Issuer Secured Creditor's consent will be required to any action which would materially adversely affect such Issuer Secured Creditor's rights, including any:

- change to their ranking in priority as against other Issuer Secured Creditors;
- change to the date fixed for payment of principal or interest under, or reduction in the amount of principal or interest payable on any date or any alteration in the method of calculating the amount or date of any payment under, any Issuer Transaction Document;

- change in the currency of any payment due under an Issuer Transaction Document;
- modification of certain key terms in the Issuer Transaction Documents; or
- modifications causing a rating downgrade below the original ratings of the Bonds (other than the Class D Bonds).

Exercise of Rights by Bond Trustee

When exercising any rights, powers, trusts, authorities and discretions relating to or contained in the Conditions or the Trust Deed (other than in respect of any Entrenched Right or Reserved Matter or Basic Terms Modification, or determining the occurrence of an Entrenched Right, Reserved Matter or Basic Terms Modification) which affects or relates to any Class A Bonds, the Bond Trustee shall only act with the consent of the Issuer Instructing Group (unless the Bond Trustee is the Issuer Instructing Group) or subject to any Reserved Matter in accordance with the provisions of the Issuer STID, and the Bond Trustee shall not be required to have regard to the interests of the Bondholders in relation to the exercise of such rights, powers, trusts, authorities and discretions and shall have no liability to any Bondholders as a consequence of so acting (see Condition 16(b) in Chapter 7 "*Terms and Conditions of the Bonds*").

The Initial Financial Guarantor has additional entrenched rights so as to ensure, *inter alia*, that certain core covenants of DCC regarding its business activities and operations and certain key financial ratios contained in the Common Terms Agreement cannot be changed or waived without the prior consent of the Initial Financial Guarantor.

Acknowledgement Regarding Issuer Transaction Documents

Each Issuer Secured Creditor which signed the Issuer STID as at the Initial Issue Date or acceded to it thereafter (a) agreed to be bound by the terms of the Issuer STID, including the intercreditor arrangements, and (b) was deemed to have knowledge of, and will be bound by, the terms of all the Issuer Transaction Documents.

Actions Requiring Consent

The consent of the Issuer Security Trustee (acting on instructions from the Issuer Instructing Group) is required, *inter alia*:

- for any modification (i.e., waiver, variation or amendment) of any of the Issuer Transaction Documents, or any exercise of any right, power or discretion thereunder (other than modifications of a minor or technical nature);
- for any release of or impairment to any part of the Issuer Security except as expressly permitted by the Issuer Transaction Documents; and
- for any action (including the withdrawal of most sums from any of the Issuer Accounts) following an event of default under the Issuer Transaction Documents which remains unremedied and unwaived.

Accession of Additional Issuer Secured Creditors

The Issuer Deed of Charge and the Issuer STID require that, to the extent that the Issuer wishes any additional creditor to obtain the benefit of the Issuer Security, such creditor must sign an accession memorandum whereby it (a) agrees to be bound by the terms of the Issuer STID, including the intercreditor arrangements, and (b) will be deemed to have knowledge of, and will be bound by, the terms of all the Issuer Transaction Documents.

If the Issuer wishes to raise additional financing through the issue of further Bonds under the Programme or through Authorised Loan Facilities or otherwise, it may only do so provided that the DCC financial covenants set out in the Common Terms Agreement (see "*Common Terms Agreement*" above) are not breached as a result of the Issuer making a corresponding advance under an Intercompany Loan Agreement with the proceeds of such additional financing.

Financial Guarantor Documents

The Financial Guarantees

On the Initial Issue Date, MBIA Assurance S.A. issued in favour of the Bond Trustee (for itself and on behalf of the relevant Class A Bondholders) a Financial Guarantee for each Sub-Class of the Class A Bonds issued on the Initial Issue Date in respect of scheduled interest (other than any Subordinated Coupon Amounts) and principal (other than any accelerated amounts) on the relevant Sub-Class of Class A Bonds. A decision of the Comité des Entreprises d'Assurance (the French insurance regulator) on 27 December 2007 approved the transfer of the business of MBIA Assurance S.A. to MBIA UK Insurance Limited with effect from 28 December 2007 pursuant to article L.324-1 of the French Insurance Code; MBIA UK Insurance Limited, therefore, assumed all rights and obligations of MBIA Assurance S.A. under the Transaction Documents as if it were the Financial Guarantor of the Class A Bonds issued on the Initial Issue Date.

On the Fourth Issue Date, MBIA UK Insurance Limited issued in favour of the Bond Trustee (for itself and on behalf of the relevant Class A Bondholders) a financial guarantee in respect of the issue of Class A6 Bonds issued under the Programme on the Fourth Issue Date. On 10 January 2017, Assured Guaranty Corp. acquired the entire issued share capital of MBIA UK Insurance Limited, following which the registered name of MBIA UK Insurance Limited was subsequently changed to Assured Guaranty (London) plc. On 7 November 2018, AGLN transferred its insurance portfolio to, and merged with and into AGE. To the extent that Assured Guaranty or any other Financial Guarantors issue Financial Guarantees in respect of any further Series of Class A Bonds, such Financial Guarantees are expected to be issued by such Financial Guarantor(s) on terms substantially similar thereto.

Upon an early redemption of the relevant Class A Bonds or an acceleration of the relevant Class A Bonds, the relevant Financial Guarantor's obligations will continue to be to pay the Insured Amounts or Guaranteed Amounts (as applicable) as they fall Due for Payment (as defined in the relevant Financial Guarantees) on each Issuer Payment Date. A Financial Guarantor will not be obliged under any circumstances to accelerate payment under its Financial Guarantees. However, if it does so, it may do so in its absolute discretion in whole or in part, but only after an acceleration of the Bonds, and the amount payable by it will be the outstanding principal amount (or pro rata amount that has become due and payable) of the relevant Class A Bonds together with accrued interest. Any amounts due in excess of such outstanding principal amount (and any accrued interest thereon) and any Subordinated Coupon Amounts will not be guaranteed by any Financial Guarantor under any of the Financial Guarantees.

The Bond Trustee as party to the Financial Guarantees issued by Assured Guaranty (originally by MBIA Assurance S.A. on the Initial Issue Date and by MBIA UK Insurance Limited on the Fourth Issue Date) has the right to enforce the terms of such Financial Guarantees, and any right of any other person to do so is expressly excluded.

Guarantee and Reimbursement Agreements

On the Initial Issue Date DCFL entered into an insurance and indemnification agreement with Initial Financial Guarantor. Pursuant to the Transfer, MBIA UK Insurance Limited (now Assured Guaranty, as described above) assumed all rights and obligations of MBIA Assurance S.A. under the Transaction Documents as if it were the Financial Guarantor of the Class A Bonds issued on the Initial Issue Date. On the Fourth Issue Date, DCFL entered into a guarantee and reimbursement agreement (a "**G&R Agreement**", previously known as an insurance and indemnification agreement) with MBIA UK Insurance Limited (now Assured Guaranty, as described above). In respect of the insurance and indemnification agreement and the G&R Agreement historically entered into by DCFL, the Issuer has been substituted in place of DCFL and DCFL ceased to be a party.

On each relevant Issue Date in respect of Class A Bonds after the date of this Prospectus, the Issuer will enter into other G&R Agreements with a Financial Guarantor, pursuant to which the Issuer is or will be obliged, *inter alia*, to reimburse such Financial Guarantor in respect of the payments made by it under the relevant

Financial Guarantee and to pay any reasonable fees and expenses of such Financial Guarantor in respect of the provision of the relevant Financial Guarantee. Insofar as a Financial Guarantor makes payment under the relevant Financial Guarantee in respect of Insured Amounts or Guaranteed Amounts (as applicable and as defined in such Financial Guarantee), it will be subrogated to the present and future rights of the relevant Class A Bondholders against the Issuer in respect of any payments made.

DCC CASH MANAGEMENT

In this section:

any reference to a "**month**" is a reference to an accounting month of DCC;

"**Additional Amounts**" means an amount which is equal to the difference between the interest accrued under the relevant Liquidity Facility Agreement on the Standby Drawings (as defined in "*Additional Resources Available*") and the amount earned by way of investment of the amount representing such Standby Drawing;

"**New Money Advance**" means any drawing during a Standstill under the Tranche R1 or Tranche R2 of any Intercompany Loan Agreement or any Authorised Loan Agreement provided to DCC which is not made (or to the extent not made) for the purpose of refinancing a maturing R1 Advance or R2 Advance or refinancing a drawing under such Authorised Loan Agreement;

"**Relevant Series Proportion**" means the proportion represented by the fraction the numerator of which is the Principal Amount Outstanding of all Bonds issued under the relevant Series and the denominator of which is the Principal Amount Outstanding of all Bonds issued under all Series;

"**R Advances**" means, together, each advance under Tranche R1 and each advance under Tranche R2;

"**Revolving Advance**" means each advance under a revolving credit facility under an Intercompany Loan Agreement;

"**Revolving Tranche**" means, together, Tranche L and the R Tranches;

"**Subordinated Authorised Loan Amounts**" means, in relation to any Authorised Loan Agreement, the aggregate of any amounts payable by the Issuer to such Authorised Lender in respect of its obligation to gross up any payments made by it in respect of such Authorised Loan Agreement or to make any payment of increased costs to such Authorised Lender;

"**Subordinated Commissions**" means:

- in respect of any R Tranche, any amounts by which the commitment commissions on the undrawn portion of such R Tranche exceed the initial commitment commissions on the undrawn portion of such R Tranche as at the date on which the R Tranche was first made available; and
- in respect of any Class R Bonds, any amounts by which the underwriting commissions on the Class R Bonds exceed the initial underwriting commissions on the Class R Bonds as at the date on which the Class R Bonds were first issued;

"**Subordinated Coupon Amounts**" means, in respect of any Sub-Class of Bonds, any amounts (other than deferred interest) by which the Coupon on such Sub-Class exceeds the initial Coupon on such Sub-Class of Bonds as at the date on which such Sub-Class of Bonds was issued;

"**Subordinated Interest**" means, in respect of any Term Advances or Revolving Advances under any Intercompany Loan Agreement, any amounts by which the applicable margin on such Term Advances or Revolving Advances exceed the initial applicable margin on such Term Advances or Revolving Advances as at the date that such Intercompany Loan Agreement was first entered into;

"**Subordinated Liquidity Facility Amounts**" has the meaning given to it in the section below entitled "*The Liquidity Facilities*";

"**Tranche A**" or "**Tranche A Facility**" means a tranche of a term facility under an Intercompany Loan Agreement corresponding to a Sub-Class of Class A Bonds;

"**Tranche A Advance**" means an advance under a Tranche A Facility;

"**Tranche B**" or "**Tranche B Facility**" means a tranche of a term facility under an Intercompany Loan Agreement corresponding to a Sub-Class of Class B Bonds;

"**Tranche B Advance**" means an advance under a Tranche B Facility;

"**Tranche C**" or "**Tranche C Facility**" means a tranche of a term facility under an Intercompany Loan Agreement corresponding to a Sub-Class of Class C Bonds;

"**Tranche C Advance**" means an advance under a Tranche C Facility;

"**Tranche D**" or "**Tranche D Facility**" means a tranche of a term facility under an Intercompany Loan Agreement corresponding to a Sub-Class of Class D Bonds;

"**Tranche D Advance**" means an advance under a Tranche D Facility;

"**Tranche L**" or "**Tranche L Facility**" means a tranche of a term facility under an Intercompany Loan Agreement corresponding to an advance under a Liquidity Facility;

"**Tranche L Advance**" or "**L Advance**" means an advance under a Tranche L Facility;

"**Tranche R**" means, together, Tranche R1 and Tranche R2;

"**Tranche R1**" or "**Tranche R1 Facility**" means a tranche of a revolving credit facility corresponding to a Sub-Class of Class R1 Bonds; and

"**Tranche R2**" or "**Tranche R2 Facility**" means a tranche of a revolving credit facility corresponding to a Sub-Class of Class R2 Bonds.

DCC's Accounts and Ledgers

DCC has the following bank accounts with the Account Bank: a receipts account (the "**Receipts Account**"); a payments account (the "**Payments Account**"); a debt service payment account (the "**Debt Service Payment Account**"); a reserves account (the "**Reserves Account**"); a customer payments account (the "**Customer Payments Account**"); and a rejected direct debits account (the "**RDD Account**"). DCC may not establish any further bank accounts unless it has first met certain conditions in respect thereof, which are set out in the Common Terms Agreement (including that such further accounts are (a) required for the operation of DCC's Permitted Business, (b) the subject of a first fixed security under the DCC Deed of Charge and (c) are opened and maintained with a bank that has the Requisite Ratings). These accounts include foreign currency accounts for the purpose of clearing payments to suppliers in foreign currencies, and a treasury account for pooling certain credit balances for cash management purposes.

The Receipts Account, the Payments Account, the Debt Service Payment Account, the Reserves Account, the Customer Payments Account, the RDD Account and each other permitted bank account of DCC from time to time are collectively referred to as "**DCC's Accounts**". DCC's Accounts are held with the Account Bank pursuant to an account agreement (the "**DCC Account Bank Agreement**") dated on the Initial Issue Date (and as subsequently amended from time to time) between DCC, the Account Bank and the DCC Security Trustee.

Receipts Account

Under the Common Terms Agreement, DCC covenants in favour of the DCC Security Trustee that all of DCC's revenues will be paid directly into the Receipts Account or be directed to be paid into the Payments Account. Monies credited from time to time to the Receipts Account are transferred periodically at the discretion of DCC to the Payments Account or to the RDD Account (as described below) but not otherwise. On any Business Day (as defined in the Common Terms Agreement) DCC may direct that an amount equal to the aggregate amount of rejected direct debits from customers for any period as determined by DCC may be transferred from the Receipts Account to the RDD Account.

Payments Account

The Payments Account is the current account of DCC through which all sterling denominated operating and capital expenditure of DCC is cleared. Operating expenditure is funded by cash transfers from the Receipts Account and through drawings, as and when required, under an overdraft facility in the amount of £10,000,000 provided by the National Westminster Bank plc (the "**Overdraft Bank**") before the Initial Issue Date (the "**Overdraft Facility**") and, if applicable, drawings under the Tranche R2 Facility or a DCC Authorised Loan Facility. Capital expenditure is funded from available cashflow and cash transfers made during the course of each month from the Reserves Account.

Under the Common Terms Agreement, DCC covenants in favour of the DCC Security Trustee that on the opening of business on the first Business Day of each month an amount equal to 1/12th of DCC's Annual Finance Charge for the time being will be transferred from the Payments Account to the Debt Service Payment Account and credited to the Debt Service Ledger.

DCC's "**Annual Finance Charge**" is required to be calculated by DCC on 1 April of each year (or, if such day is not a Business Day, the immediately preceding Business Day) to be the sum of the following payments scheduled (or, where uncertain, estimated by DCC in good faith) to fall due and payable in the twelve month period commencing on 1 April of that year and ending on 31 March of the following year (each such period, a "**Relevant Year**"):

(i) the aggregate amount of interest due on each outstanding Advance under the Intercompany Loan Agreements;

(ii) the aggregate amount of rental payments due to the DCC Finance Lessors under the DCC Finance Leases inclusive of any VAT (after (a) deducting any amount representing a repayment of capital under the DCC Finance Leases and any estimated rental rebates (inclusive of any VAT) and (b) adding back any further rentals due (inclusive of any VAT), in each case, as determined by DCC in good faith);

(iii) the aggregate amount of fees and commissions due to the Issuer under each Intercompany Loan Agreement; and

(iv) the aggregate amount of interest, fees and commissions due during the Relevant Year under any Authorised Loan Agreement provided to DCC.

DCC's Annual Finance Charge is required to be adjusted during the course of a Relevant Year, upwards or downwards, as appropriate, to ensure that the annual amount reserved for within the Debt Service Payment Account will always be sufficient to meet in full the liabilities described above in any Relevant Year if, for any reason, any of those liabilities are modified (including as a result of any deferral) pursuant to, and as permitted by, the terms of the DCC Transaction Documents.

DCC's Annual Finance Charge is required to additionally be increased to cover the aggregate amount of interest due to the Issuer in respect of any Revolving Advances made during a Relevant Year and to any Authorised Lender in respect of any drawings made by DCC under any Authorised Loan Agreement during a Relevant Year.

Reserves Account

No monies may be withdrawn from the Reserves Account except for the purpose of any transfer to the Payments Account on account of DCC's forecast capital expenditure for the month in which such transfer occurs. Except for reconciliation payments made pursuant to the arrangements referred to below, in no circumstances shall DCC transfer in any month any monies from the Reserves Account to the Payments Account in excess of DCC's forecast capital expenditure for that month.

By no later than the last Business Day of each month DCC is required to reconcile, by reference to the management accounts prepared for the preceding month, the actual amount of capital expenditure incurred in

the preceding month against the aggregate amount transferred during the preceding month from the Reserves Account on account of forecast capital expenditure for such preceding month. In the event that actual capital expenditure incurred in any preceding month exceeded the amount transferred on account of forecast capital expenditure, the amount required to be transferred to the Payments Account in respect of forecast capital expenditure for the month following the month in which such management accounts have been prepared shall be increased by the amount of such excess less any amounts arising from DCC's operating cashflows applied in payment of such actual capital expenditure. In the event that actual capital expenditure incurred was less than the amount transferred on account of forecast capital expenditure, an amount equal to the difference shall be transferred forthwith from the Payments Account to the Reserves Account or, alternatively, at DCC's discretion, netted against amounts required to be transferred from the Reserves Account to the Payments Account on account of forecast capital expenditure in the month following the month in which such management accounts have been prepared.

DCC is not required to maintain any minimum credit balance on the Reserves Account. However, it may be a condition precedent to the making of any further Term Advances under any further Intercompany Loan Agreement that DCC pays into the Reserves Account a specified portion of such further Term Advances. Furthermore, DCC covenants in favour of the DCC Security Trustee in the Common Terms Agreement that on each Calculation Date the aggregate of (a) the amount credited to the Reserves Account and (b) the aggregate undrawn commitment under the Tranche R2 Facility under the Intercompany Loan Agreements and any replacement or supplemental facility provided for capital expenditure will be at least equal to the Net Capex Requirement for the following twelve months.

Debt Service Payment Account

DCC maintains in its books two ledgers in respect of the Debt Service Payment Account (respectively the "**Debt Service Ledger**" and the "**Insurance Proceeds Ledger**").

Debt Service Ledger

Prior to the occurrence of a Standstill, monies credited to the Debt Service Ledger shall be applied by DCC only for the purpose of making the following payments ("**DCC Payments**") as and when the same fall due for payment:

- to the Issuer, in or towards satisfaction of any scheduled fees and interest due under each Tranche of each Intercompany Loan Agreement;
- to the DCC Security Trustee, in or towards satisfaction of any scheduled fees due to the DCC Security Trustee under the terms of the DCC STID;
- to the Standstill Cash Manager, in or towards satisfaction of any scheduled fees due to the Standstill Cash Manager;
- to the DCC Finance Lessors, in or towards satisfaction of any scheduled rental payments (inclusive of VAT) due to the DCC Finance Lessors under the DCC Finance Leases (except for any capital repayments); and
- to any DCC Hedge Counterparty under any Permitted Treasury Transaction, in or towards satisfaction of any scheduled sums due to such DCC Hedge Counterparty under such Permitted Treasury Transaction.

Interest charges under the Overdraft Facility and repayment of the principal debit balance under the Overdraft Facility will be paid as and when the same fall due and payable out of sums paid into the Payments Account from the Receipts Account and/or the Customer Payments Account for the purpose of meeting operating expenditure.

For so long as a Standstill Event has not occurred, DCC shall, on the date which is five Business Days prior to each DCC Payment Date, determine whether the aggregate amount of monies then credited is at least equal to the DCC Payments falling to be paid on such DCC Payment Date. If there is an insufficiency of funds, then DCC shall promptly request from the Issuer the making of a Tranche L advance in an amount equal to the shortfall, such amount to be paid to DCC no later than the relevant DCC Payment Date.

Insurance Proceeds Ledger

Prior to an Acceleration of Liabilities DCC is required to direct that all insurance proceeds are paid directly into the insurance proceeds ledger. Monies credited to the insurance proceeds ledger are applied in payment for repair or reinstatement of the relevant equipment.

Customer Payments Account

DCC maintains in its books two ledgers in respect of the Customer Payments Accounts (respectively, the "**General Ledger**" and the "**Customer Rebate Ledger**").

DCC may on the close of business of the last Business Day of each month transfer Available Monies from the Payments Account to the Customer Payments Account for the credit of the General Ledger provided that:

- the backward-looking and forward-looking ICR is greater than or equal to 2.0:1; and
- the RAR is less than or equal to 0.85:1.

"**Available Monies**" means the amount credited to the Payments Account as at the close of business on the last Business Day of each month after deducting the amount required to be transferred on the next following Business Day to the Debt Service Payment Account.

Rebates to customers may only be granted to the extent of monies credited to the General Ledger subject always to satisfaction of the conditions for the making of a Restricted Payment as set out in the Common Terms Agreement and provided further that the Customer Rebate Ledger is then credited with an amount equal to the aggregate amount of the relevant rebate. An amount equal to 1/12th of the aggregate amount of rebates declared by DCC in respect of any Relevant Year shall be transferred from the Customer Payments Account to the Payments Account on the first Business Day of each month of the Relevant Year in which such rebate is to apply.

Monies credited to the Customer Payments Account constitute the only source of funds available to DCC to make Restricted Payments.

DCC is entitled to invest monies credited to DCC's Accounts in certain eligible investments and may for cash management purposes pool credit balances on all of DCC's Accounts (excluding the Debt Service Payment Account) through a separate investment account.

The cash management arrangements described above continue to apply until the occurrence of a Standstill Event. In the event of a Standstill occurring and during the period it is continuing, the arrangements described above shall be modified as follows:

- DCC's Annual Finance Charge shall be adjusted upwards to include the cost of any Tranche L Advances made under any Intercompany Loan Agreement;
- an amount equal to the aggregate sum credited to the Customer Payments Account shall be forthwith transferred to the Debt Service Payment Account; and
- the claims ("**Claims**") of the DCC Security Trustee, the Account Bank, the Standstill Cash Manager, the Issuer, the DCC Finance Lessors, each Authorised Lender, the Current DCC Hedge Counterparties, each other party that enters a DCC Hedge Document, as defined in the DCC STID (each a "**DCC Hedge Counterparty**"), any receiver of the Guarantors and any other creditor of DCC which accedes

to the DCC STID (together the "**Standstill Creditors**") against DCC in respect of each Relevant Year shall be ranked in point of priority strictly in accordance with the order of priority as set out immediately below under the heading "*DCC Standstill Priority*".

DCC Standstill Priority

The priority of payments during a Standstill (the "**DCC Standstill Priority**") is as follows:

(i) first, pro rata according to the respective amounts thereof, (a) the DCC Security Trustee in respect of the fees or other remuneration and indemnity payments (if any) payable to the DCC Security Trustee in respect of such Relevant Year and any costs, charges, liabilities and expenses incurred by the DCC Security Trustee under the DCC STID, the DCC Security Documents and the Glas Holdings Security Documents; and (b) any receiver of any Guarantor appointed under the DCC Security Documents and the Glas Holdings Security Documents in respect of the fees or other remuneration and indemnity payments (if any) payable to such receiver in respect of such Relevant Year (such claims of the DCC Security Trustee and any receiver (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 1 Claim**");

(ii) second, pro rata according to the respective amounts thereof, (a) the Issuer in respect of scheduled fees (other than commitment fees under Tranche R) due in respect of such Relevant Year under the Intercompany Loan Agreements and indemnity payments (if any) payable to the Issuer (in relation to any costs, charges, liabilities and expenses incurred by the Bond Trustee or the Issuer Security Trustee under the Issuer Transaction Documents in respect of such Relevant Year) under the Intercompany Loan Agreements and (b) the Standstill Cash Manager in respect of fees or remuneration due to the Standstill Cash Manager and (c) each Authorised Lender in respect of fees, costs and expenses (other than interest) due in respect of such Relevant Year under the relevant Authorised Loan Facility (such claims of the Issuer, the Standstill Cash Manager and the Authorised Lenders (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 2 Claim**");

(iii) third, pro rata according to the respective amounts thereof:

  (a) the Issuer in respect of:

    (1) any Additional Amounts due in respect of such Relevant Year under the Intercompany Loan Agreements and any interest due in respect of the Relevant Year under any Tranche L Advances; and

    (2) any interest and principal due in respect of such Relevant Year under any New Money Advances; and

  (b) each Authorised Lender in respect of any interest and principal due in respect of such Relevant Year under any New Money Advances,

  (such claims of the Issuer and such Authorised Lender (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 3 Claim**");

(iv) fourth, pro rata according to the respective amounts thereof:

  (a) each DCC Hedge Counterparty under a Permitted Treasury Transaction, in respect of payments to be made or any other sums due and payable in such Relevant Year under any interest rate hedging agreement (excluding any termination payment arising as a result of a default by such DCC Hedge Counterparty);

  (b) the Issuer in respect of:

    (1) interest due on any Tranche A Advances in respect of such Relevant Year (excluding any Subordinated Interest);

(2) interest due on any Tranche B Advances in respect of such Relevant Year (excluding any Subordinated Interest);

(3) interest due on any Revolving Advances in respect of such Relevant Year (excluding any Subordinated Interest and under any Tranche L Advances); and

(4) commitment fees on the R Advances in respect of such Relevant Year (excluding any Subordinated Commissions);

(c) each DCC Finance Lessor in respect of payments due in respect of such Relevant Year under the DCC Finance Leases (excluding any capital repayments or indemnity payments); and

(d) each Authorised Lender in respect of interest due on any advances (other than any New Money Advances) under the Authorised Loan Facility in respect of the Relevant Year;

(such claims of each DCC Hedge Counterparty, the Issuer, each DCC Finance Lessor and each Authorised Lender (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 4 Claim**");

(v) fifth, pro rata according to the respective amounts thereof:

(a) to the Issuer in respect of:

(1) any principal repayment on any Tranche A Advances in respect of such Relevant Year;

(2) any principal repayment on any Tranche B Advances in respect of such Relevant Year; and

(3) any principal repayment on any Revolving Advances in respect of such Relevant Year (excluding, for this purpose, any principal repayment to be applied by the Issuer in making a further Tranche R Advance);

(b) to each DCC Finance Lessor, in respect of any capital repayment due in respect of such Relevant Year under the relevant DCC Finance Lease;

(c) to each Authorised Lender in respect of any principal repayment on any advances under the relevant Authorised Loan Facility in respect of such Relevant Year;

(such claims of the Issuer and each DCC Finance Lessor and each Authorised Lender (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 5 Claim**");

(vi) sixth, the Issuer in respect of interest due in respect of such Relevant Year under the Tranche C Advances (such claims of the Issuer (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 6 Claim**");

(vii) seventh, the Issuer in respect of any principal repayments due in respect of such Relevant Year under the Tranche C Advances (such claims of the Issuer (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 7 Claim**");

(viii) eighth, the Issuer in respect of interest due in respect of the Relevant Year under the Tranche D Advances (such claims of the Issuer (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 8 Claim**");

(ix) ninth, the Issuer in respect of any principal repayments due in respect of such Relevant Year under the Tranche D Advances (such claims of the Issuer (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 9 Claim**");

(x) tenth, pro rata according to the respective amounts thereof:

(a) the DCC Finance Lessors in respect of any other amounts due to them under the DCC Finance Leases in respect of such Relevant Year;

(b) the Issuer in respect of any other sums due to the Issuer in respect of such Relevant Year (excluding Subordinated Interest);

(c) each Authorised Lender in respect of any other sums due in respect of such Relevant Year to such Authorised Lender; and

(d) each DCC Hedge Counterparty under a Permitted Treasury Transaction in respect of any termination payment due to such DCC Hedge Counterparty arising as a result of a default by such DCC Hedge Counterparty,

(such claims of the DCC Finance Lessors, the Issuer, each Authorised Lender and each DCC Hedge Counterparty (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 10 Claim**");

(xi) eleventh, to WPD Realisations (Cayman) Limited, in respect of any sums due in respect of such Relevant Year from DCC under a contract of differences, which was entered into on 3 April 2001 and has subsequently expired, with no payment obligations remaining (such claims of WPD Realisations (Cayman) Limited (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 11 Claim**")[2];

(xii) twelfth, to the Issuer in respect of any Subordinated Interest due in respect of such Relevant Year under any Tranche A Advances, Tranche B Advances and Tranche R Advances pro rata to the respective amounts thereof (such claims of the Issuer (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 12 Claim**");

(xiii) thirteenth, to the Issuer in respect of any Subordinated Interest due in respect of such Relevant Year under any Tranche C Advance (such claims of the Issuer (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 13 Claim**");

(xiv) fourteenth, to the Issuer in respect of any Subordinated Interest due in respect of such Relevant Year under any Tranche D Advance (such claims of the Issuer (and any such claims arising on any acceleration of liabilities against DCC under the DCC STID), a "**Tier 14 Claim**"); and

(xv) fifteenth, the surplus (if any) to DCC or any other person entitled thereto.

To the extent there arises any requirement to gross up any payment under the Intercompany Loan Agreements or Authorised Loan Facilities made available to DCC, the payment in respect of such requirement will rank *pari passu* with the primary payment obligation which gave rise thereto.

Upon the occurrence of the Standstill, the Standstill Cash Manager on behalf of the DCC Security Trustee shall open and maintain the following ledgers ("**Standstill Ledgers**") in respect of the Debt Service Payment Account:

(i) a ledger ("**Tier 1 Ledger**") in respect of Tier 1 Claims which shall be divided into separate sub-ledgers for each person holding a Tier 1 Claim (such person a "**Tier 1 Creditor**");

(ii) a ledger ("**Tier 2 Ledger**") which shall be divided into separate sub-ledgers ("**Tier 2 Sub-Ledgers**") for each person holding a Tier 2 Claim (such person a "**Tier 2 Creditor**");

(iii) a ledger ("**Tier 3 Ledger**") which shall be divided into separate sub-ledgers ("**Tier 3 Sub-Ledgers**") for each person holding a Tier 3 Claim (such person a "**Tier 3 Creditor**") and, in the case of the Issuer,

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[2] *NOTE: WPD Realisations (Cayman) Limited was liquidated on 31 December 2012.*

shall be further divided into sub-sub ledgers ("**Tier 3 Sub-Sub Ledgers**") in respect of each separate Tier 3 Claim of the Issuer;

(iv) a ledger ("**Tier 4 Ledger**") which shall be divided into separate sub-ledgers ("**Tier 4 Sub-Ledgers**") for each person holding a Tier 4 Claim (such person a "**Tier 4 Creditor**") and, in the case of the Issuer, shall be further divided into further sub-sub ledgers ("**Tier 4 Sub-Sub Ledgers**") in respect of each separate Tier 4 Claim of the Issuer;

(v) a ledger ("**Tier 5 Ledger**") which shall be divided into separate sub-ledgers ("**Tier 5 Sub-Ledgers**") for each person holding a Tier 5 Claim (such person a "**Tier 5 Creditor**") and, in the case of the Issuer, shall be further divided into further sub-sub ledgers ("**Tier 5 Sub-Sub Ledgers**") in respect of each separate Tier 5 Claim of the Issuer;

(vi) a ledger ("**Tier 6 Ledger**") in respect of the Issuer's Tier 6 Claim;

(vii) a ledger ("**Tier 7 Ledger**") in respect of the Issuer's Tier 7 Claim;

(viii) a ledger ("**Tier 8 Ledger**") in respect of the Issuer's Tier 8 Claim;

(ix) a ledger ("**Tier 9 Ledger**") in respect of the Issuer's Tier 9 Claim;

(x) a ledger ("**Tier 10 Ledger**") which shall be divided into separate sub-ledgers ("**Tier 10 Sub-Ledgers**") for each person holding a Tier 10 Claim (such person a "**Tier 10 Creditor**");

(xi) a ledger ("**Tier 11 Ledger**") in respect of WPD Realisations (Cayman) Limited's Tier 11 Claim;

(xii) a ledger ("**Tier 12 Ledger**") which shall be sub-divided into separate sub-ledgers ("**Tier 12 Sub-Ledgers**") in respect of each separate Tier 12 Claim of the Issuer;

(xiii) a ledger ("**Tier 13 Ledger**") in respect of the Issuer's Tier 13 Claim; and

(xiv) a ledger ("**Tier 14 Ledger**") in respect of the Issuer's Tier 14 Claim.

Subject to the entrenched rights of the Issuer Security Trustee and the other Issuer Secured Creditors (including the Bond Trustee), the terms of the DCC Standstill Priority may change if the Issuer issues a further Series of Bonds or enters into further Authorised Loan Facilities the proceeds of which are then advanced to DCC.

Promptly following the occurrence of a Standstill, each Standstill Creditor will notify the Standstill Cash Manager and the DCC Security Trustee of the amount of each of its individual tiered claims against DCC (adjusted subsequently, if appropriate) for the remainder of the Relevant Year during which the Standstill has occurred. Promptly following receipt of such notifications from each of the Standstill Creditors, the Standstill Cash Manager on behalf of the DCC Security Trustee shall notionally apply the balance then credited to the Debt Service Payment Account in accordance with the DCC Standstill Priority and (without double counting) credit each Standstill Ledger, Sub-Ledger and Sub-Sub Ledger with the amount, if any, credited to such Standstill Ledger, Sub-Ledger and Sub-Sub Ledger as a result of such notional application.

All monies credited on a monthly basis to the Debt Service Payment Account during the remainder of the Relevant Year shall be notionally applied by the Standstill Cash Manager on behalf of the DCC Security Trustee in accordance with the DCC Standstill Priority and each Standstill Ledger, Sub-Ledger and Sub-Sub Ledger shall be credited by the Standstill Cash Manager on behalf of the DCC Security Trustee (without double counting) with the amount, if any, credited to such Standstill Ledger, Sub-Ledger and Sub-Sub Ledger as a result of such notional application.

Each Standstill Creditor shall notify the Standstill Cash Manager and the DCC Security Trustee of the amount of each of its individual tiered claims against DCC for each Relevant Year during which the Standstill continues promptly upon the commencement of such Relevant Year and all monies credited each month to the

Debt Service Payment Account during such Relevant Year shall continue to be notionally applied in accordance with the DCC Standstill Priority.

No amounts may be withdrawn from the Debt Service Payment Account during a Standstill to meet any Claim unless and until each Ledger, Sub-Ledger and Sub-Sub Ledger in respect of each prior ranking Claim has and remains credited with an amount equal to not less than 100 per cent. of the outstanding liability in respect of which such Ledger, Sub-Ledger and Sub-Sub Ledger has been established.

If on any day that a Claim of a Standstill Creditor (a "**Relevant Standstill Creditor**") represented by a Sub-Ledger or a Sub-Sub Ledger of the Relevant Standstill Creditor falls to be paid, there are insufficient sums credited to that Sub-Ledger or, as the case may be, Sub-Sub Ledger to meet the Relevant Standstill Creditor's Claim in full, then the Standstill Cash Manager on behalf of the DCC Security Trustee shall debit each other Sub-Ledger or, as the case may be, Sub-Sub Ledger which ranks equally with the Relevant Standstill Creditor's Claim pro rata according to the respective amounts credited to each other Sub-Ledger or, as the case may be, Sub-Sub Ledger (without double counting), by an amount equal to the lower of (a) the shortfall and (b) the aggregate amount then credited to each other equal ranking Sub-Ledger or, as the case may be, Sub-Sub Ledger and credit such amount to the relevant equal ranking Sub-Ledger or Sub-Sub Ledger of the Relevant Standstill Creditor which has fallen to be paid.

The Standstill Cash Manager on behalf of the DCC Security Trustee shall, in respect of (a) each Sub-Ledger or Sub-Sub Ledger of any Standstill Creditor (such Standstill Creditor, an "**Affected Standstill Creditor**") from which amounts have been debited to make good shortfalls to meet a Claim of the Relevant Standstill Creditor and (b) in respect of the Sub-Ledger or Sub-Sub Ledger of the Relevant Standstill Creditor which has been credited to make up the relevant shortfall, open and maintain a separate Ledger (each such Ledger, a "**Notional Liquidity Ledger**") and shall credit each Notional Liquidity Ledger in respect of each Affected Standstill Creditor (without double counting) with the amount debited from the corresponding Sub-Ledger or, as the case may be, Sub-Sub Ledger of that Affected Standstill Creditor and shall debit the Notional Liquidity Ledger of the Relevant Standstill Creditor with the amount so credited. A credit balance at any time on a Notional Liquidity Ledger of an Affected Standstill Creditor shall represent an advance (a "**Notional Liquidity Advance**") from that Affected Standstill Creditor to the Relevant Standstill Creditor. For so long as an Affected Standstill Creditor has a debit balance on its Notional Liquidity Ledger, all amounts notionally credited to the Sub-Ledger or Sub-Sub Ledger of the Relevant Standstill Creditor ranking equally with the Sub-Ledger or Sub-Sub Ledger of the Affected Standstill Creditor in accordance with the DCC Standstill Priority shall instead be applied, pro rata to the respective amounts credited to the relevant Notional Liquidity Ledgers of all equal ranking Affected Standstill Creditors, in reducing the credit balance on each relevant Notional Liquidity Ledger (with a corresponding credit to the Notional Liquidity Ledger of the Relevant Standstill Creditor) until such time as there is a zero balance on each relevant Notional Liquidity Ledger.

If after making any transfer from an equal ranking Sub-Ledger or Sub-Sub Ledger to the relevant Sub-Ledger or Sub-Sub Ledger of the Relevant Standstill Creditor there remains an insufficiency of funds available to DCC to meet that Claim, then DCC shall request the making of an L Advance in the amount of such shortfall.

The arrangements described above shall continue for so long as there is a Standstill. In the event that the Standstill is discharged, then the pre-Standstill cash allocation procedures described previously shall be reinstated. The DCC Security Trustee shall not be responsible for monitoring the performance of the Standstill Cash Manager.

If, following the implementation of a Standstill, there is an acceleration of Claims under the DCC STID then, upon such acceleration occurring, all monies credited to DCC's Accounts together with the proceeds of enforcement of any of the Security Documents shall be applied strictly in accordance with the priority of payments set out below (the "**DCC Post-Enforcement Payments Priorities**"):

(i) first, pro rata according to the respective amounts thereof, in or towards satisfaction of each Tier 1 Claim and in or towards satisfaction of each Tier 2 Creditor's Tier 2 Claim;

(ii) second, pro rata according to the respective amounts thereof:

(a) to the Overdraft Bank, in or towards satisfaction of any fees, interest and principal outstanding under the Overdraft Facility; and

(b) to the Account Bank, in or towards satisfaction of any accrued and unpaid fees and charges due to the Account Bank under the DCC Account Bank Agreement;

(iii) third, pro rata according to the respective amounts thereof:

(a) to the Issuer, in or towards satisfaction of the Issuer's Tier 3 Claim; and

(b) to each Authorised Lender in or towards satisfaction of such Authorised Lender's Tier 3 Claim;

(iv) fourth, pro rata according to the respective amounts thereof:

(a) to each DCC Hedge Counterparty, in or towards satisfaction of such DCC Hedge Counterparty's Tier 4 Claim;

(b) to the Issuer, in or towards satisfaction of the Issuer's Tier 4 Claim;

(c) to each DCC Finance Lessor, in or towards satisfaction of such DCC Finance Lessor's Tier 4 Claim; and

(d) to each Authorised Lender, in or towards satisfaction of such Authorised Lender's Tier 4 Claim;

(v) fifth, pro rata according to the respective amounts thereof:

(a) to the Issuer, in or towards satisfaction of the Issuer's Tier 5 Claim;

(b) to each DCC Finance Lessor, in or towards satisfaction of such DCC Finance Lessor's Tier 5 Claim; and

(c) to each Authorised Lender, in or towards satisfaction of such Authorised Lender's Tier 5 Claim;

(vi) sixth, to the Issuer, in or towards satisfaction of the Issuer's Tier 6 Claim;

(vii) seventh, to the Issuer in or towards satisfaction of the Issuer's Tier 7 Claim;

(viii) eighth, to the Issuer, in or towards satisfaction of the Issuer's Tier 8 Claim;

(ix) ninth, to the Issuer, in or towards satisfaction of the Issuer's Tier 9 Claim;

(x) tenth, pro rata according to the respective amounts thereof:

(a) to each DCC Finance Lessor, in or towards satisfaction of such DCC Finance Lessor's Tier 10 Claim;

(b) to the Issuer, in or towards satisfaction of the Issuer's Tier 10 Claim;

(c) to each Authorised Lender, in or towards satisfaction of such Authorised Lender's Tier 10 Claim; and

(d) to each DCC Hedge Counterparty, in or towards satisfaction of such DCC Hedge Counterparty's Tier 10 Claim;

(xi) eleventh, to the Issuer, in or towards satisfaction of the Issuer's Tier 12 Claim;

(xii) twelfth, to the Issuer, in or towards satisfaction of the Issuer's Tier 13 Claim;

(xiii) thirteenth, pro rata according to the respective amounts thereof:

(a) to WPD Realisations (Cayman) Limited, in or towards satisfaction of WPD Realisations (Cayman) Limited's Tier 11 Claim; and

(b) to the Issuer, in or towards satisfaction of the Issuer's Tier 14 Claim.

(xiv) fourteenth, the surplus (if any) to DCC or any other person entitled thereto.

The proceeds of enforcement of the Guarantor Security will also be applied in accordance with the DCC Post-Enforcement Payments Priorities in circumstances where such enforcement occurs during a Standstill Period or following an acceleration of Claims under the DCC STID.

ISSUER CASH MANAGEMENT

The Issuer has established sterling, euro and U.S. dollar operating accounts (the "**Issuer Operating Accounts**") and an initial liquidity facility reserve account (the "**Initial Liquidity Account**"). The Issuer Accounts (as defined below) are held with the Account Bank pursuant to an account agreement (as amended from time to time, the "**Issuer Account Bank Agreement**") dated on the Initial Issue Date originally between the Issuer, the Account Bank and the Issuer Security Trustee, in respect of which the Issuer has been substituted in place of DCFL and DCFL has ceased to be a party. DCC acts as Cash Manager of the Issuer and, pursuant to the terms of the Master Framework Agreement manages amounts standing to the credit of the Issuer Accounts and any other accounts of the Issuer from time to time.

Each Liquidity Facility Agreement requires the establishment of a further liquidity facility reserve account ("**Further Liquidity Accounts**" which, together with the Initial Liquidity Account, are referred to as the "**Liquidity Accounts**" and, collectively with the Issuer Operating Accounts, are referred to as the "**Issuer Accounts**").

The Cash Manager has opened and maintains in respect of the sterling denominated Issuer Operating Account a ledger in respect of each Series (a "**Series Ledger**") for the purpose of recording all payments made by or to the Issuer under the Intercompany Loan Agreement entered into in connection with such Series.

Prior to the service of an Enforcement Notice under the Issuer Deed of Charge all monies credited to a Series Ledger rank for payment in accordance with the priority of payments ("**Issuer Pre-Enforcement Payments Priorities**") set out in the Issuer STID as set out below:

(i) first, pro rata according to the respective amounts thereof, in or towards satisfaction of the Relevant Series Proportion of the remuneration, costs and expenses of the Bond Trustee and Issuer Security Trustee;

(ii) second, in or towards satisfaction of, on a pro rata basis, (a) the Relevant Series Proportion of the remuneration, costs and expenses of the Paying Agents, the Agent Bank, the Registrar, the Transfer Agents, the Luxembourg Listing Agent and any other agents appointed under the Paying Agency Agreement or otherwise (collectively, the "**Agents**"), (b) the Relevant Series Proportion of the remuneration, costs and expenses of the Account Bank under the Issuer Account Bank Agreement, (c) the remuneration, costs and expenses of the Liquidity Facility Agent under the Liquidity Facility Agreement applicable to the relevant Series, (d) the remuneration, costs and expenses of the Class R Agent (if any) for the relevant Series, (e) the remuneration, costs and expenses of the Authorised Loan Facility Agent under each Authorised Loan Agreement (if any) for the relevant Series, (f) the Relevant Series Proportion of the costs and expenses of the Cash Manager and (g) the fees, expenses and premia of the Financial Guarantor for the relevant Series pursuant to the relevant G&R Agreement for the relevant Series;

(iii) third, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all amounts of fees, interest and principal (other than any Subordinated Liquidity Facility Amounts) due or overdue under the Liquidity Facility Agreement for the relevant Series, (b) all amounts of interest and principal due or overdue under the Class R Bonds to the extent that such Class R Bonds were re-sold to fund a New Money Advance and (c) all amounts of interest and principal due or overdue in respect of any drawing under an Authorised Loan Agreement to the extent that such drawing was made by the Issuer to fund a New Money Advance;

(iv) fourth, pro rata according to the respective amounts thereof, in or towards satisfaction of all scheduled amounts payable to each Hedge Counterparty under any Interest Rate Hedging Agreement;

(v) fifth, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all amounts of interest due or overdue in respect of all of the Class A Bonds, Class B Bonds and Class R Bonds (if

any) (in each case, other than any Subordinated Coupon Amounts in respect thereof), (b) all scheduled amounts payable to each Hedge Counterparty under any Currency Hedging Agreement entered into in respect of all of the Class A Bonds or the Class B Bonds (if any), (c) all amounts of underwriting commissions (other than Subordinated Commissions) due or overdue in respect of all of the Class R Bonds (if any), (d) all reimbursement sums owed under the relevant G&R Agreement to the Financial Guarantor (if any) of the relevant Series in respect of payments of interest on any Class A Bonds of the relevant Series guaranteed by such Financial Guarantor and (e) all amounts of interest and commitment commissions due or overdue in respect of the Authorised Loan Facilities available to the Issuer (if any, other than any Subordinated Authorised Loan Amounts) established in connection with the relevant Series;

(vi) sixth, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all amounts of principal due or overdue in respect of the Class A Bonds, Class B Bonds and Class R Bonds (if any) of the relevant Series, (b) all principal exchange amounts due and payable to each Hedge Counterparty under any Currency Hedging Agreement entered into in respect of the Class A Bonds or the Class B Bonds of the relevant Series (if any), (c) any other sums due and payable to each Hedge Counterparty under any Hedging Agreement in respect of the Class A Bonds and Class B Bonds subject to (iv) and (v) above and (ix) below, (d) all reimbursement sums owed to the Financial Guarantor (if any) of the relevant Series under the relevant G&R Agreement in respect of payments of principal on the Class A Bonds of the relevant Series and (e) all amounts of principal due or overdue under the Authorised Loan Facility (if any) established for the relevant Series;

(vii) seventh, pro rata according to the respective amounts thereof, in or towards satisfaction of all amounts of (a) interest due or overdue on the Class C Bonds of the relevant Series (other than any Subordinated Coupon Amounts) and (b) all scheduled amounts due and payable to each Hedge Counterparty under any Currency Hedging Agreement entered into in respect of the Class C Bonds of the relevant Series;

(viii) eighth, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all amounts of principal due or overdue on the Class C Bonds of the relevant Series, (b) all principal exchange amounts due and payable to each Hedge Counterparty under any Currency Hedging Agreement entered into in respect of the Class C Bonds of the relevant Series, and (c) any other sums due and payable to each Hedge Counterparty under a Hedging Agreement in respect of the Class C Bonds subject to (iv) and (vii) above and (xiii) below;

(ix) ninth, in or towards satisfaction of any termination payment due or overdue to a Hedge Counterparty under any Hedging Agreement entered into in respect of the Class A Bonds or Class B Bonds which arises as a result of a default by such Hedge Counterparty;

(x) tenth, in or towards satisfaction of all amounts of interest due or overdue on the Class D Bonds of the relevant Series (other than any Subordinated Coupon Amounts);

(xi) eleventh, in or towards satisfaction of all amounts of principal due or overdue on the Class D Bonds of the relevant Series;

(xii) twelfth, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all Subordinated Liquidity Facility Amounts due or overdue under the Liquidity Facility Agreement provided in connection with the relevant Series, (b) all Subordinated Authorised Loan Amounts due or overdue under the Authorised Loan Facilities available to the Issuer provided in connection with the relevant Series and (c) any other indemnified amounts due or overdue to the Financial Guarantor of the relevant Series;

(xiii) thirteenth, in or towards satisfaction of any termination payment due or overdue to a Hedge Counterparty under any Hedging Agreement entered into in respect of the Class C Bonds which arises as a result of a default by such Hedge Counterparty;

(xiv) fourteenth, pro rata according to the respective amounts thereof, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of the Class A Bonds, Class B Bonds and Class R Bonds (if any) of the relevant Series;

(xv) fifteenth, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of the Class C Bonds of the relevant Series;

(xvi) sixteenth, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of the Class D Bonds of the relevant Series; and

(xvii) seventeenth, the surplus, if any, to the Issuer or other persons entitled thereto.

After the service of an Enforcement Notice by the Issuer Security Trustee under the Issuer Deed of Charge, the Issuer Security Trustee (or any substitute cash manager appointed by the Issuer Security Trustee to act on its behalf) shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Accounts to make payments in accordance with the following order of priority (the "**Issuer Post-Enforcement Payments Priorities**"):

(i) first, pro rata according to the respective amounts thereof, in or towards satisfaction of all of the remuneration, costs and expenses of the Bond Trustee and the Issuer Security Trustee and any receiver or receivers appointed by the Issuer Security Trustee pursuant to the Issuer Deed of Charge;

(ii) second, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all of the remuneration, costs and expenses of the Agents, (b) all of the remuneration, costs and expenses of the Account Bank under the Issuer Account Bank Agreement, (c) all of the remuneration, costs and expenses of each Liquidity Facility Agent under each Liquidity Facility Agreement, (d) all of the remuneration, costs and expenses of each Class R Agent, (e) all of the remuneration, costs and expenses of each Authorised Loan Facility Agent under each Authorised Loan Agreement available to the Issuer, and (f) all of the fees, expenses and premia of each Financial Guarantor pursuant to each G&R Agreement;

(iii) third, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all amounts of fees, interest and principal (other than any Subordinated Liquidity Facility Amounts) due or overdue under each Liquidity Facility Agreement, (b) all amounts of interest and principal due or overdue under the Class R Bonds to the extent that such Class R Bonds were sold to fund a New Money Advance and (c) all amounts of interest and principal due or overdue in respect of any drawing under any Authorised Loan Agreement to the extent that such drawing was made by the Issuer to fund a New Money Advance;

(iv) fourth, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all amounts of interest due or overdue in respect of all Class A Bonds, Class B Bonds and Class R Bonds (in each case, other than any Subordinated Coupon Amounts in respect thereof), (b) all sums due and payable to each Hedge Counterparty under any Hedging Agreement entered into in respect of the Bonds of any Class subject to (viii) below, (c) all amounts of underwriting commissions (other than Subordinated Commissions) due or overdue in respect of all Class R Bonds, (d) all reimbursement sums owed under the relevant G&R Agreement to each Financial Guarantor in respect of payments of interest on any Class A Bonds guaranteed by such Financial Guarantor and (e) all amounts of interest and commitment commissions due or overdue in respect of each Authorised Loan Facility (other than any Subordinated Authorised Loan Amounts);

(v) fifth, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all amounts of principal due or overdue in respect of all Class A Bonds, Class B Bonds and Class R Bonds, (b) all reimbursement sums owed to each Financial Guarantor under the relevant G&R Agreement in respect of payments of principal on Class A Bonds and (c) all amounts of principal due or overdue under each Authorised Loan Facility;

(vi) sixth, in or towards satisfaction of all amounts of interest due or overdue on the Class C Bonds of the relevant Series (other than any Subordinated Coupon Amounts in respect thereof);

(vii) seventh, in or towards satisfaction of all amounts of principal due or overdue on the Class C Bonds of the relevant Series;

(viii) eighth, in or towards satisfaction of any termination sum due or overdue to any Hedge Counterparty under any Hedging Agreement which arises as a result of a default by such Hedge Counterparty;

(ix) ninth, in or towards satisfaction of all amounts of interest due or overdue on all Class D Bonds (other than any Subordinated Coupon Amounts in respect thereof);

(x) tenth, in or towards satisfaction of all amounts of principal due or overdue on all Class D Bonds;

(xi) eleventh, pro rata according to the respective amounts thereof, in or towards satisfaction of (a) all Subordinated Liquidity Facility Amounts due or overdue under each Liquidity Facility Agreement, (b) all Subordinated Authorised Loan Amounts due or overdue under each Authorised Loan Facility available to the Issuer and (c) all other indemnified amounts due or overdue to each Financial Guarantor;

(xii) twelfth, pro rata according to the respective amounts thereof, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of all Class A Bonds, Class B Bonds and Class R Bonds;

(xiii) thirteenth, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of all Class C Bonds;

(xiv) fourteenth, in or towards satisfaction of all Subordinated Coupon Amounts due or overdue in respect of all Class D Bonds;

(xv) fifteenth, in or towards satisfaction of all amounts owing to the Cash Manager under the Master Framework Agreement; and

(xvi) sixteenth, the surplus, if any, to the Issuer or other persons entitled thereto.

Subject to the entrenched rights of the Issuer Security Trustee and the other Issuer Secured Creditors (including the Bond Trustee) the terms of the Issuer Pre-Enforcement Payments Priorities and the Issuer Post-Enforcement Payments Priorities may change if the Issuer issues further Series of Bonds or enters into further Authorised Loan Facilities in the future.

ADDITIONAL RESOURCES AVAILABLE

Finance Leases

Supply Agreements

As at 31 March 2019, DCC had entered into (a) an equipment supply agreement dated 28 June 1996 with Kanaalstraat (formerly known as Lloyds Rent Leasing), (b) two reimbursement and hire purchase agreements (for the supply of equipment which was leased under the 17 year and 31 year finance Leases referred to below) dated 7 March 2002, with Lombard Lease Finance Limited (formerly known as W&G Lease Finance Limited) ("**Lombard**"), (c) two reimbursement and hire purchase agreements (for the supply of equipment which was leased under the 20 year Finance Leases referred to below) dated 11 November 2004 and 20 October 2005 respectively with Lombard, (d) two reimbursement and hire purchase agreements dated 11 November 2004 and 22 July 2005 respectively, with Lloyds Corporate Asset Finance (No. 4) Limited ("**Lloyds Corporate Asset Finance**"), (e) one reimbursement and hire purchase agreement dated 12 November 2004 with Assetfinance December (H) Limited (formerly known as Motopurchase Limited) ("**Assetfinance**"), (f) one reimbursement and hire purchase agreement dated 31 August 2005 with Norddeutsche Landesbank Girozentrale ("**Nord**") and (g) one hire purchase agreement dated 5 October 2007 with RBSSAF (2) Limited ("**RBSSAF**"), these agreements are collectively the "**Supply Agreements**".

Pursuant to the Supply Agreements, DCC has sold or otherwise procured (or is entitled to sell or otherwise procure) the supply of certain equipment to such companies (or in respect of equipment which constitutes Fixtures (as defined below) has been reimbursed (or is entitled to be reimbursed) for capital expenditure in respect thereof). The financial facilities available under the Supply Agreements are as follows: Kanaalstraat - £100 million; Lombard - £120 million (in respect of the Supply Agreement dated 7 March 2002); £125 million (in respect of the Supply Agreement dated 11 November 2004) and £30 million (in respect of the Supply Agreement dated 20 October 2005); Assetfinance - £50 million; Lloyds Corporate Asset Finance - £50 million (in respect of the Supply Agreement dated 11 November 2004) and £30 million (in respect of the Supply Agreement dated 22 July 2005); Nord - £24 million; RBSSAF - £85 million. Finance lease obligations, after the taking into account of any capital repayments under these facilities, amounted to £435.0 million as at 31 March 2019.

The equipment supplied (or to be supplied) under the Supply Agreements (the "**Equipment**") consists of equipment for use in the water and sewerage operations of DCC, including generators, compressors, tanks, pipework, filter pressure vessels, pumps valves, and other such process plant equipment and on water and sewerage infrastructure assets. The Equipment is comprised of moveable equipment ("**Moveables**") and fixed equipment (that is, Equipment which is so affixed to real estate so as to become part of that real estate as a matter of law, "**Fixtures**").

Finance Leases

As at 31 March 2019, each of Kanaalstraat, Lombard, Assetfinance, Lloyds Corporate Asset Finance, Nord, RBSSAF (each a "**Finance Lessor**" and together, the "**Finance Lessors**") has leased (or, in certain cases, will lease) the items of Equipment purchased or supplied (or, in certain circumstances, to be purchased or supplied) by them under the Supply Agreements to DCC on the terms, and subject to the conditions, set out in the following lease agreements between DCC as lessee and the respective Finance Lessor as lessor (each a "**Finance Lease**" and, together, the "**Finance Leases**"): (a) a lease agreement dated 28 June 1996 with Kanaalstraat whose principal lease period is 25 years; (b) four lease agreements dated 7 March 2002, 7 March 2002, 11 November 2004 and 20 October 2005 with Lombard, whose principal lease periods are 17 years, 20 years (upon agreement extendable up to 31 years), 20 years (upon agreement extendable up to 35 years) and 20 years (upon agreement extendable up to 35 years), respectively, from the date of commencement of such periods; (c) a lease agreement dated 11 November 2004 with Lloyds Corporate Asset Finance whose principal lease period is 20 years (upon agreement extendable up to 35 years) from the date of commencement of such

period and a lease agreement dated 22 July 2005 with Lloyds Corporate Asset Finance, whose principal lease period ends on 22 November 2024 (upon agreement extendable to 22 November 2039); (d) a lease agreement dated 12 November 2004 with Assetfinance, whose principal lease period is 20 years (upon agreement extendable up to 35 years) from the date of commencement of such period; (e) a lease agreement dated 31 August 2005 with Nord, whose principal lease period is 30 years from the date of commencement of such period; (f) a lease agreement dated 5 October 2007 with RBSSAF whose principal lease period ends on 31 March 2038.

The Finance Lease with Kanaalstraat was amended on the Initial Issue Date so as to be subject to the Common Terms Agreement and the DCC STID.

The leasing of the Equipment under each of the Finance Leases, subject to any full or partial early termination (see below), is for a period (a) in respect of Fixtures (other than under the Finance Lease with Kanaalstraat where certain extensions are possible), of no longer than the respective principal lease period (see above) relating thereto and (b) in respect of Moveables, a period of no longer than the respective principal lease period (see below) relating thereto, save that the leasing of certain Moveables may be extended for further 12 month periods, or until the end of the useful life of any such Moveable, at the option of DCC.

Terms and Conditions

Each Finance Lease is subject to the Common Terms Agreement, which sets out certain of the representations and warranties, covenants and events of default which apply to the Finance Leases (see "*Common Terms Agreement*" above). In addition, the Finance Leases are subject to the DCC STID which regulates the claims of Finance Lessors against DCC and termination and enforcement rights under the Finance Leases.

Rental

DCC is obliged to pay rental payments ("**Rental**") under each Finance Lease annually in advance on 1 April of each year in respect of the Finance Lease with Kanaalstraat and on 31 March of each year in respect of the other Finance Leases (each a "**Rental Payment Date**").

The primary period Rental payable under each of the Finance Leases is calculated by reference to a number of assumptions made at the time of execution of the relevant Finance Lease (including a specific assumed rate of interest) and if any such assumption proves to be incorrect, the primary rental payments under the relevant Finance Lease are adjusted to levels that seek to (or if all those rentals have been paid additional rentals or rebates of rental are made in order to) preserve the relevant Finance Lessor's agreed after-tax rate of return on its acquisition cost of the Equipment leased under that Finance Lease. The rental payments payable during any secondary periods are also set out in the relevant Finance Lease.

The assumptions set out in each Finance Lease (other than under the Finance Lease with RBSSAF (see below)) are the type of tax and financial assumptions customarily found in leases of this kind and include, *inter alia*,matters such as the rate of corporation tax, the rate of writing down allowances, the amount of group relief on tax losses which may be claimed by the relevant Finance Lessor and other changes in applicable law or regulation.

The assumptions set out in the Finance Lease with RBSSAF are more limited and include assumptions relating to timing.

DCC will pay any VAT (if payable) due in respect of any payments under the Finance Leases.

General Payment Provisions

Default interest is payable under each Finance Lease in respect of any late payments.

All payments of principal and interest under each Finance Lease will be made free and clear of, and without withholding or deduction for, tax, if any, applicable to such payments unless such withholding or deduction is required by law. In that event, DCC will be obliged to pay such additional amounts as will result in the receipt

by the relevant Finance Lessor of such amounts as would have been received by it if no such withholding or deduction had been required.

DCC Obligations

In addition to the representations and warranties made by DCC and the obligations placed upon DCC pursuant to the Common Terms Agreement, the Finance Leases also include certain standard finance lease representations, warranties and covenants.

In particular, DCC is required, in accordance with the Finance Leases (although not always in each case), *inter alia*, (1) to maintain, service, repair and overhaul the Equipment so as to keep the Equipment in good repair, condition and working order in accordance with customary practice of a prudent and responsible water and sewerage undertaking; (2) promptly to replace any item of Equipment which is worn out, obsolete or damaged; (3) to maintain third party liability and property and damage insurances in respect of the Equipment, satisfactory to the Finance Lessors; and (4) to perform all acts or provide all assistance necessary and/or desirable to preserve each Finance Lessor's tax benefits and/or position under the Finance Lease, including entering into elections that entitle the relevant Finance Lessor to claim capital allowances on any of the Equipment which constitutes Fixtures.

A breach of any of these representations and/or obligations in a Finance Lease which would be reasonably likely to have a material adverse effect will (to the extent not waived) oblige DCC to prepay all sums due and payable under the relevant Finance Lease. Such prepayment shall be funded solely from Permitted Indebtedness (as summarised above, see "*Common Terms Agreement*") and subject to the Common Terms Agreement and the DCC STID. If DCC does not make such prepayment in accordance with the Common Terms Agreement, an Event of Default under the Common Terms Agreement will arise (to the extent not waived) and the Standstill Period will automatically commence (see "*DCC STID – Standstill*" above).

Indemnities

Each Finance Lease contains a general indemnity whereby DCC agrees to indemnify the relevant Finance Lessor (and/or, in respect of certain indemnities under certain of the Finance Leases, the relevant Finance Lessor corporate group) on demand against all losses, payments, damages, liabilities, claims, proceedings, actions, penalties, fines or other sanctions of a monetary nature, costs and expenses (including, in certain cases, legal expenses, out-of-pocket expenses and costs of management time) in any way associated with the transactions contemplated in the relevant Finance Lease ("**Losses**") other than Losses (i) arising as a result of the wilful default or negligence of the relevant Finance Lessor or (ii) compensated for elsewhere in the relevant Finance Lease.

Each Finance Lease typically (but not in all cases) provides that DCC shall indemnify under the Finance Leases the relevant Finance Lessor against all losses incurred or suffered by it, *inter alia*, in relation to the Equipment or as a result of failure by DCC to comply with its obligations under the relevant Finance Lease.

Typically these indemnities survive any termination of the leasing of the Equipment under the Finance Leases and the termination of the Finance Leases themselves.

Tax Indemnities

Under the terms of the Finance Leases, DCC is required to compensate the Finance Lessors for certain tax events, either by variation of the Rental payment amounts (see "*Rental*" above) or by contractual indemnity payments.

Typically these indemnities survive any termination of the leasing of the Equipment under the Finance Leases and the termination of the Finance Leases themselves.

Termination of Finance Leases

Subject to the terms of the DCC STID (including the provisions applying during a Standstill Period), the leasing of part or all of the Equipment under the Finance Leases may be terminated on the occurrence of any of the DCC Events of Default specified in the Common Terms Agreement.

In addition, subject to the terms of the Common Terms Agreement, the DCC STID and the Finance Leases (as amended and supplemented) and provided DCC is able to fund such termination or prepayment from Permitted Indebtedness (as specified above, see "*Common Terms Agreement*"):

- DCC may, for any reason, terminate the leasing of all or part of the Equipment under any Finance Lease and DCC may prepay all Rentals due thereunder in advance of the expiry of the relevant lease period; and
- each Finance Lessor may terminate the leasing of the Equipment under its Finance Lease if (a) an illegality event in respect of that Finance Lessor occurs; or (b) a total loss of its leased Equipment occurs.

If DCC fails to make any such prepayment in accordance with the Common Terms Agreement, a DCC Event of Default will arise under the Common Terms Agreement and the Standstill Period will automatically commence (see "*DCC STID – Standstill*" above).

The Termination payment payable by DCC upon termination of a Finance Lease varies according to the termination event which takes place and the date thereof. The termination payment is calculated, broadly, by the production of a revised cashflow as at the date of the relevant termination and based upon certain assumptions, (which if subsequently proven to be incorrect may give rise to a further payment or rebate in the future).

Repossession of Moveables on Termination

Pursuant to the terms of the Supply Agreements, the Finance Lessors purchased (or may purchase) the legal and beneficial title to the Equipment to the extent that it is a Moveable. Upon the affixing of certain Moveables to real estate in accordance with the relevant Finance Leases, such Moveables may become Fixtures. Upon the creation of such Fixtures, legal and beneficial title to the same is transferred from the relevant Finance Lessor to the owner of the relevant real estate (albeit that, for fiscal purposes only, title is deemed to rest with the relevant Finance Lessors). There is no ability for a Finance Lessor to repossess Equipment which becomes or has become fixtures.

Following a termination event under the Finance Leases, DCC is required, at its own cost and expense, to redeliver possession of any Equipment which remains or becomes a Moveable to the relevant Finance Lessor. The Finance Lessors shall sell, if possible, the returned Moveables and shall share the net sale proceeds of any such sale with the other DCC Secured Creditors.

Insurance and Total Loss

DCC has to maintain certain insurances under each Finance Lease (see "**DCC Obligations**" above).

Upon a total loss of certain items of Equipment, the leasing of such items will terminate and DCC must pay a termination payment (from insurance proceeds or otherwise) within a specified number of business days following such a total loss or within a certain number of business days after the date of receipt of insurance proceeds in relation to such Equipment.

Local Authority Loans

DCC has outstanding loans of £0.4 million from certain local authorities in Wales. The local authorities who have made these loans available to DCC have not acceded, and will not be required to accede, to the Common Terms Agreement, the DCC STID or the Intercreditor Arrangements.

Class R Bonds

As of the date of this Prospectus, there are no Class R Bonds outstanding and the Issuer does not currently intend to issue any further Class R Bonds.

Authorised Loan Facilities

The Issuer and DCC are, between themselves, currently party to ten Authorised Loan Facilities with an aggregate original facility amount of £1,010 million (before principal repayments).

As at 31 March 2019, the aggregate drawn amount outstanding under these facilities (net of principal repayments of £119 million) was £721 million, leaving a balance of £170 million available for drawing as at that date.

These facilities are:

(i) a fully drawn finance contract of £100 million dated 5 December 2005 between the Issuer and the European Investment Bank ("**EIB**") repayable in instalments by 15 December 2021;

(ii) a second fully drawn finance contract of £100 million dated 23 October 2008 between the Issuer and the EIB repayable in instalments by 15 April 2025;

(iii) a third fully drawn finance contract of £100 million dated 3 March 2011 between the Issuer and the EIB repayable in instalments by 15 December 2028;

(iv) an undrawn bilateral revolving credit facility of £60 million dated 19 May 2014 between the Issuer and BNP Paribas, London Branch, which is available to be drawn in the six years ended 19 May 2020;

(v) an undrawn bilateral revolving credit facility of £20 million dated 6 August 2014 between the Issuer and HSBC Bank plc which is available to be drawn in the six years to 6 August 2020;

(vi) a fourth fully drawn finance contract of £230 million dated 17 November 2014 between DCC and the EIB repayable in instalments by 15 May 2031;

(vii) an undrawn bilateral revolving credit facility of £50 million dated 21 October 2015 between the Issuer and NatWest Markets Plc which is available to be drawn until 21 September 2020;

(viii) a fully drawn term loan of £60 million dated 11 November 2015 between DCC and KfW IPEX-Bank GmbH, repayable in instalments by 15 November 2025;

(ix) a fifth fully drawn finance contract of £250 million dated 20 January 2017 between DCC and the EIB repayable in instalments by 15 December 2033;

(x) an undrawn bilateral revolving credit facility of £40 million dated 24 November 2017 between the Issuer and Barclays Bank PLC which is available to be drawn until 24 October 2020,

(together, the "**Current Authorised Loan Facilities**").

The EIB loan of £230 million was drawn in three tranches and accrues indexation which will be repaid as each tranche amortises. The indexation accrued to 31 March 2019 was £23 million.

Each of the Current Authorised Loan Facilities entered into by the Issuer set out above has been on-lent (or is available to be on-lent if drawn) to DCC by way of Intercompany Loans, and each of the Current Authorised Loan Facilities entered into by DCC set out above may be used, in each case to fund the working capital and capital expenditure requirements of DCC.

Interest accrues on any drawing under the Current Authorised Loan Facilities calculated at a daily rate by reference to the applicable sterling LIBOR plus a margin and mandatory costs and in respect of (ii) and (viii) above, interest on each individual tranche drawn may be calculated using either a fixed rate of interest or by

reference to sterling LIBOR plus a margin and a predetermined variable rate spread, and in respect of (vi) above, interest on each individual tranche drawn may be calculated by reference to a specified index plus a margin and a predetermined variable rate spread.

Each of DCC and the Issuer makes representations and warranties to the Authorised Lenders on terms as set out, respectively, in the Common Terms Agreement and the Master Framework Agreement. Certain representations and warranties are repeated at the date of drawing a loan and on certain Issuer Payment Dates or DCC Payment Dates, as the case may be.

Each of DCC and the Issuer makes covenants and undertakings to the Authorised Lenders on terms as set out, respectively, in the Common Terms Agreement and the Master Framework Agreement.

The DCC Events of Default under the Common Terms Agreement apply to DCC under any Authorised Loan Facility (see "*Common Terms Agreement*" above). Events of default similar to the Issuer Events of Default under the Bonds apply to the Issuer under its Initial Authorised Loan Facility (see Condition 11 in Chapter 7 "*Terms and Conditions of the Bonds*").

The ability of the Authorised Lenders to accelerate any sums owing under either of the Issuer's or DCC's Authorised Loan Facilities upon or following the occurrence of an event of default thereunder is subject to the Issuer STID or the DCC STID, respectively.

The Issuer and/or DCC may enter into further Authorised Loan Facilities except that any Authorised Loan Facilities entered into by DCC for working capital and capital expenditure purposes will be subject to an aggregate cap of £50,000,000 (indexed), and the aggregate amount of drawings under the Overdraft Facility and such Authorised Loan Facilities from time to time shall not, in the aggregate, exceed £50,000,000 (indexed). As at 31 March 2019, the indexed value of the cap was £81,831,000, enabling DCC to maintain the (unutilised) Overdraft Facility and an Authorised Loan Facility with KfW IPEX-Bank GmbH. Further lending to DCC, in the form of Finance Leases and Authorised Loan Facilities from the European Investment Bank, which sits outside the indexed cap, has been specifically approved on a case-by-case basis by the relevant majority of the Secured Creditors and the DCC Security Trustee by way of a STID Proposal. Each additional Authorised Lender will be given the benefit of the Issuer Security or the DCC Security, as the case may be, and will be required to accede to the Issuer STID or the DCC STID, as the case may be.

The Liquidity Facilities

The Issuer is required to have available to it one or more liquidity facilities (each a "**Liquidity Facility**") to enable it to meet any Liquidity Shortfalls (as defined below).

The Issuer had entered into a liquidity facility agreement dated 10 May 2001 between the Issuer and The Royal Bank of Scotland plc (as facility agent for itself and Lloyds Bank plc) (the "**Initial Liquidity Facility Agreement**"), which was terminated on 13 April 2011. The Issuer then entered into a liquidity facility agreement dated 13 April 2011 (the "**Second Liquidity Facility Agreement**") with The Royal Bank of Scotland plc (acting as facility agent for the participating banks) with a total commitment of £135 million. The participating banks (each bank a "**Further Liquidity Facility Provider**") were The Royal Bank of Scotland plc, HSBC Bank plc, Lloyds Bank plc and National Australia Bank Limited (ABN 12 004 044 937), each providing a commitment of £33.75 million. The Second Liquidity Facility Agreement terminated on 2 April 2019.

The Issuer entered into a liquidity facility agreement dated 29 March 2019 with each of AGE and AGM (together the "**AG Liquidity Facility Providers**") (each, an "**AG Liquidity Facility Agreement**") pursuant to which AGE and AGM, as the Current Liquidity Facility Providers, agreed to unconditionally and irrevocably guarantee to DCC during the term of the facility their relevant proportion (being the AGE Proportion and the AGM Proportion) of the relevant Shortfall Amount subject to a cap of £135,000,000 or such higher amount as may be notified pursuant to the AG Liquidity Facility Agreements provided that such

cap shall not exceed £150,000,000 and shall be an aggregate cap shared between each AG Liquidity Facility Agreement. AGM also agreed to provide a guarantee in favour of DCC of the AGE Proportion to the extent that AGE fails to pay its proportion of the Shortfall Amount when due.

Under the terms of each AG Liquidity Facility Agreement, each AG Liquidity Facility Provider has provided a 5 year commitment in an aggregate amount specified in each AG Liquidity Facility Agreement to permit drawings to be made in circumstances where (i) the Issuer has or will have insufficient funds available on an Issuer Payment Date to pay in full its obligations in respect of scheduled interest on the Class A Bonds, Class B Bonds, Class R Bonds and (subject to certain limits) Class C Bonds and scheduled interest on its Authorised Loan Facilities, or (ii) DCC has or will have insufficient funds available on a DCC Payment Date to pay in full its obligations in respect of scheduled interest on its Authorised Loan Facilities or the notional scheduled interest payments under the DCC Finance Leases (each a "**Liquidity Shortfall**"). The amount which may be drawn under an AG Liquidity Facility Agreement to make up any Liquidity Shortfall arising on any Class C Bonds shall be limited to the proportion that the Outstanding Principal Amount of such Class C Bonds bears to the aggregate Principal Amount Outstanding of the Class A Bonds, Class Bonds, Class R Bonds (if any) and Class C Bonds. No drawings will be permitted under either AG Liquidity Facility Agreement in respect of any Liquidity Shortfall on the Class D Bonds.

The Issuer may also, at any time, replace either AG Liquidity Facility Provider provided that: such AG Liquidity Facility Provider is replaced by a bank or financial institution which as at the relevant Issue Date has a rating assigned for its short-term unsecured, unsubordinated and unguaranteed debt obligations of at least A-1/P-1/F-1 from the relevant Rating Agencies or such other short-term rating as is commensurate with the original issue ratings assigned to the Class A Bonds, Class B Bonds and Class R Bonds remaining outstanding from each of the Rating Agencies (the "**Requisite Ratings**"); all amounts outstanding to such AG Liquidity Facility Provider are repaid in full; the replacement does not cause a downgrade in the Bonds which are rated; and the Issuer holds sufficient funds in the Liquidity Reserve Account.

Amounts drawn by the Issuer under an AG Liquidity Facility will be on-lent by the Issuer to DCC as an L Advance under the relevant Intercompany Loan Agreement (see "*Intercompany Loan Agreements*" above). The Issuer will repay each drawing under an AG Liquidity Facility Agreement upon repayment of the corresponding amount of the relevant L Advance under the relevant Intercompany Loan Agreement. Amounts repaid may, subject to various conditions precedent, be redrawn.

The Issuer will have a right to terminate each AG Liquidity Facility Agreement upon the occurrence of (among other things) a Downgrade Event, provided that any amounts that are due to the Liquidity Facility Provider have been paid in full.

If the AG Liquidity Facility Provider refuses to renew such AG Liquidity Facility Agreement prior to the expiry of the 5 year period, the Issuer or DCC shall use commercially reasonable endeavours (or, if the Automatic Extension Trigger Date has occurred, best endeavours), at all times from the date when such renewal request is refused until termination of the AG Liquidity Facility Agreement, to (i) arrange a replacement Liquidity Facility Agreement; and (ii) fund a dedicated Liquidity Reserve Account to the Liquidity Facility Cap.

Interest will accrue on any drawing made under the Liquidity Facility provided by the AG Liquidity Facility Providers at a reference rate per annum plus a margin. Drawings under any further Liquidity Facilities will accrue interest subject to the specific terms of the relevant Liquidity Facility Agreement.

Upon the enforcement of the Issuer Security pursuant to the Issuer Deed of Charge, all indebtedness outstanding under any Liquidity Facility (other than Subordinated Liquidity Facility Amounts) will rank in priority to the Bonds.

"**AG Liquidity Provider Downgrade Event**" means at any time while the Bonds remain outstanding, both:

(a) AGM's insurer financial strength rating by Moody's ceases to be at least "A3"; and

(b) AGM's insurer financial strength rating by S&P ceases to be at least "A-",

provided, that during such time as AGM's insurer financial strength is not rated by Moody's and not rated by S&P, then an "AG Liquidity Provider Downgrade Event" means at any time while the Bonds remain outstanding, that AGM's insurer financial strength rating is not rated at least "A-" or the equivalent by at least one other credit rating agency which is registered with the United States Securities and Exchange Commission as a nationally recognised statistical rating organisation.

"**Bond Downgrade Event**" means any time at which the Issuer has certified to the AG Liquidity Facility Provider that owing to the AG Liquidity Facility Provider's credit strength, the then current rating of the Class A Bonds, Class B Bonds, and Class R Bonds assigned by any two of the Rating Agencies will fall below the rating assigned to those Bonds as at the Date of Issuance and that this downgrade can be avoided should a substitute Liquidity Facility Agreement with a substitute liquidity facility provider be provided.

"**Downgrade Event**" means an AG Liquidity Provider Downgrade Event or a Bond Downgrade Event.

Hedging Agreements

Hedging Policy

The Glas Group enters into hedging transactions in accordance with an agreed hedging policy, pursuant to the Common Terms Agreement and Master Framework Agreement, as applicable. This, *inter alia*, requires that the Glas Group does not maintain significant open currency positions and that it enters into appropriate hedging instruments to limit exposure to inflation and interest rate fluctuations to a prudent level. The Glas Group is prohibited from entering into any form of hedging arrangement or swaps contract of a speculative nature or otherwise than in accordance with the agreed hedging policy. The Glas Group will maintain the hedging policy over time in accordance with good industry practice and regulatory developments.

Initial Hedging Agreements

The Issuer hedged its interest rate and currency exposure in respect of Sub-Classes of Bonds issued on the Initial Issue Date that accrued interest at a floating rate and included Bonds that were denominated in U.S. dollars (the "**Initial Hedging Agreements**"). Payments are made between the Issuer and the Initial Hedge Counterparties under the Initial Hedging Agreements on Interest Payment Dates. Notwithstanding that a proportion of the Bonds issued on the Initial Issue Date have been redeemed, the Issuer has kept a proportion of the Initial Hedging Agreements in place to hedge other floating interest rate exposure of DCC. DCC and the Issuer have entered into an intercompany swap agreement which mirrors the relevant Initial Hedging Agreement between the Issuer and the relevant Hedge Counterparty. As a result, the Issuer has a back-to-back swap arrangement with DCC.

Under the terms of the Initial Hedging Agreements, in the event that the ratings of the Initial Hedge Counterparties fall below the required credit ratings and, as a result the ratings of the relevant Classes of Bonds may be downgraded below the original issue rating, the relevant Hedge Counterparty will either: (i) provide collateral for its obligations; (ii) arrange for its obligations under the relevant Initial Hedging Agreement to be transferred to, or guaranteed by, an appropriate Hedge Counterparty with the required credit ratings, or, with the prior consent of the Rating Agencies, an entity that has a lesser rating (to the extent that such action does not cause a reduction in the original issue ratings of the relevant Classes of Bonds); (iii) arrange for the appointment of a co-obligor with such ratings as, when combined with the relevant Hedge Counterparty's then current ratings, will not cause a reduction in the original issue ratings of the relevant Classes of Bonds; or (iv) take such other action agreed with the relevant Rating Agencies that will not lead to a reduction in the original issue ratings of the relevant Classes of Bonds.

The Initial Hedge Counterparties are obliged to make payments under the Initial Hedging Agreements without any withholding or deduction of taxes, unless required by law. If any such withholding or deduction is required by law, the Initial Hedge Counterparties are required to pay any such additional amount as is necessary to ensure that the net amount received by the Issuer equals the full amount the Issuer would have

received had no such deduction or withholding been required. The Issuer makes payments under the Initial Hedging Agreements subject to any withholding or deduction of taxes required by law, but is not required to pay any additional amount to any Hedge Counterparty in respect thereof. However, in either case, if any such withholding or deduction is required, which cannot be avoided by both parties using reasonable endeavours to avoid such withholding or deduction, the Hedge Counterparty may terminate the relevant Initial Hedging Agreement.

The Issuer has rights to terminate an Initial Hedging Agreement in certain circumstances, relating to the relevant Hedge Counterparty (or, in certain circumstances, any credit support provider relating to it) including: a failure to pay amounts when due; the occurrence of an insolvency event; a breach of a term of the Initial Hedging Agreement or any credit support document; a merger without assumption; a default under specified types of transaction; and in the case of an event of illegality under the swap transactions.

Each Hedge Counterparty's rights to terminate its Initial Hedging Agreement are restricted to: (i) a failure by the Issuer to make a payment under the Initial Hedging Agreement when due; (ii) certain insolvency-related events with respect to the Issuer; (iii) illegality affecting the Initial Hedge Counterparty's ability to make or receive a payment; and (iv) where either the Hedge Counterparty or the Issuer is required to withhold for tax, which cannot be avoided, as described above. Each Hedge Counterparty is a party to the Issuer STID and its rights (including, in particular, its rights to receive any termination payment) are governed thereby and subject thereto. Accordingly, any termination payment will be paid to a Hedge Counterparty in accordance with the Issuer Pre-Enforcement Payments Priorities or the Issuer Post-Enforcement Payments Priorities, as the case may be.

In addition to the above, the Issuer and each Hedge Counterparty has the right to terminate a relevant Initial Hedging Agreement upon a delivery of a notice by the Bond Trustee, under Condition 11 of the Bonds, that the Bonds have become immediately due and payable. Further, the Issuer and each Hedge Counterparty has termination rights if the Issuer redeems any of the relevant Classes of Bonds prior to their Expected Maturity Date.

The Current DCC Hedging Agreements

DCC has entered into a number of inflation and fixed interest swap transactions with NatWest Markets Plc, HSBC Bank plc and Lloyds Bank Corporate Markets plc (the "**Current DCC Hedge Counterparties**") in order to hedge a proportion of its floating rate interest exposure under the Finance Leases (the "**Current DCC Hedge Agreements**").

Each of the Current DCC Hedge Agreements may, save to the extent described below, be terminated by the Current DCC Hedge Counterparty only upon the occurrence of a DCC Event of Default. Each DCC Hedge Counterparty has, notwithstanding the provisions of the Common Terms Agreement, the right to terminate its relevant Current DCC Hedge Agreements if it is required, due to a change in tax law, to gross-up any payment due from it under such agreement or if there is a substantial likelihood that it will be required to gross-up due to action taken by a tax authority or brought in court.

The Intercompany Hedge Arrangement

As aforementioned, DCC and the Issuer have entered into an intercompany swap agreement which mirrors the relevant Initial Hedging Agreement between the Issuer and the relevant Hedge Counterparty. As a result, the Issuer has a back-to-back swap arrangement with DCC. Under the terms of the arrangement, £192 million of floating rate debt has been swapped to a fixed rate until 2031.

CHAPTER 7
TERMS AND CONDITIONS OF THE BONDS

*The following is the text of the terms and conditions which (subject to completion in accordance with the provisions of Part A of the relevant Final Terms and, save for the italicised paragraphs and words) will be incorporated by reference into each Global Bond representing Bonds in bearer form, Bonds in definitive form (if any) issued in exchange for the Global Bond(s) representing Bonds in bearer form, each Registered Bond (as defined below) in global form (a "**Registered Global Bond**") representing Bonds in registered form and each Registered Bond in definitive form (a "**Definitive Registered Bond**") representing Bonds in registered form (only if such incorporation by reference is permitted by the relevant stock exchange and agreed by the Issuer). If such incorporation by reference is not so permitted and agreed, each Bond in bearer form and each Definitive Registered Bond representing Bonds in registered form will have endorsed thereon or attached thereto such text (as so completed, amended, varied or supplemented). Further information with respect to each Sub-Class of Bonds will be given in the relevant Final Terms which will provide for those aspects of these Conditions which are applicable to such Sub-Class of Bonds, including, in the case of Class A Bonds, the form of Financial Guarantee and endorsement and, in the case of all Classes, the terms of the relevant Term Advance or Revolving Advance under the relevant Intercompany Loan Agreement. References in the Conditions to "Bonds" are, as the context requires, references to the Bonds of one Sub-Class only, not to all Bonds which may be issued under the Programme.*

Dŵr Cymru (Financing) UK Plc (the "**Issuer**") has succeeded Dŵr Cymru (Financing) Limited which established a multicurrency programme (the "**Programme**") for the issuance of asset-backed bonds and guaranteed asset-backed bonds (the "**Bonds**").

The Issuer will issue bonds pursuant to a trust deed dated 10 May 2001, as amended and restated on 19 July 2001, as further amended on or about 7 December 2006, as further amended and restated on 29 June 2011, as further amended and restated on 20 December 2017 and as further amended and restated on or about 11 November 2019 (as further amended, supplemented, restated and/or novated from time to time, the "**Trust Deed**") between the Issuer, Assured Guaranty (as successor to AGLN), any other Financial Guarantor (as defined below) acceding thereto and Deutsche Trustee Company Limited as trustee (the "**Bond Trustee**", which expression includes the trustee or trustees for the time being of the Trust Deed).

The Class A Bonds (as defined in Condition 1(a) below) alone will be unconditionally and irrevocably guaranteed as to scheduled payments of principal and interest (as adjusted for indexation but excluding any accelerated amounts or amounts by which the Coupons (as defined below) exceed the Initial Coupons on such Sub-Class as at the relevant Issue Date (the "**Subordinated Coupon Amounts**")) in respect of such Class A Bonds pursuant to a financial guarantee insurance policy (each a "**Financial Guarantee**") to be issued by a financial guarantor (each a "**Financial Guarantor**") in conjunction with the issue of each Sub-Class (as defined in Condition 1(a) below) of Class A Bonds.

None of the Class B Bonds, Class R Bonds, Class C Bonds or Class D Bonds (each as defined in Condition 1(a) below) will have the benefit of any such Financial Guarantee.

The Bonds will have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time, the "**Paying Agency Agreement**") dated 10 May 2001 (the "**Initial Issue Date**") (as to which the Issuer, the Bond Trustee, the Principal Paying Agent and the other Paying Agents (in the case of Bearer Bonds) and the Transfer Agents and the Registrar (in the case of Registered Bonds) are party). As used herein, each of "**Principal Paying Agent**", "**Paying Agents**", "**Transfer Agents**" and/or "**Registrar**" means, in relation to the Bonds, the persons specified below relating to the Bonds as the Principal Paying Agent, Paying Agents, Transfer Agents and/or Registrar, respectively, and, in each case, any successor to such person in such capacity.

Part A of the relevant Final Terms relating to the Bonds will be endorsed upon or attached to the Bonds and will supplement these terms and conditions (the "**Conditions**") and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purpose of the Bonds.

On the Initial Issue Date, Dŵr Cymru (Financing) Limited entered into a deed of charge (the "**Initial Issuer Deed of Charge**") with Deutsche Trustee Company Limited as security trustee (the "**Issuer Security Trustee**"), pursuant to which the Issuer granted certain fixed and floating charge security (the "**Issuer Security**") to the Issuer Security Trustee for itself and on behalf of the Bond Trustee (for itself and on behalf of the Bond holders), the Financial Guarantor(s), the Liquidity Facility Providers, the Initial Hedge Counterparties, the Account Bank, the Authorised Lenders, the Paying Agents, the Registrar, the Transfer Agents, the Cash Manager (each as defined therein), any receiver and any additional creditor of the Issuer which accedes to the Issuer STID (as defined below) (together, the "**Issuer Secured Creditors**").

On the Initial Issue Date, Dŵr Cymru (Financing) Limited entered into a security trust and intercreditor deed (the "**Issuer STID**") with the Issuer Security Trustee and other Issuer Secured Creditors, pursuant to which the Issuer Security Trustee holds the Issuer Security on trust for the Issuer Secured Creditors and the Issuer Secured Creditors agree to certain intercreditor arrangements.

Following a reorganisation in 2019, Dŵr Cymru (Financing) Limited is no longer the issuer under the Programme. The Issuer entered into a deed of charge dated 1 August 2019 (the "**Issuer Deed of Charge**") with the Issuer Security Trustee on substantially the same terms as the Initial Issuer Deed of Charge and has succeeded Dŵr Cymru (Financing) Limited under the Issuer STID and all other Issuer Transaction Documents.

The Issuer entered into an amended and restated dealership agreement on or about 11 November 2019 (as amended, the "**Dealership Agreement**") with the dealers named therein (the "**Dealers**") in respect of the Programme. Pursuant to the Dealership Agreement, any of the Dealers may enter into a subscription agreement in relation to each Sub-Class of Bonds issued by the Issuer, and pursuant to which the Dealers have agreed to subscribe for the relevant Sub-Class of Bonds.

On the Initial Issue Date, Dŵr Cymru (Financing) Limited entered into a master framework agreement (as amended, the "**Master Framework Agreement**") with the Issuer Security Trustee for itself and on behalf of the Issuer Secured Creditors, which contains certain representations, warranties and covenants of the Issuer. Pursuant to an amendment and restatement agreement dated 1 August 2019, the Issuer became party to the Master Framework Agreement.

The Issuer has entered or may enter into liquidity facility agreements (together, the "**Liquidity Facility Agreements**") with certain liquidity facility providers (together, the "**Liquidity Facility Providers**") pursuant to which the Liquidity Facility Providers agree to make certain facilities available to meet liquidity shortfalls.

The Issuer has entered or may enter into certain revolving credit facilities (together, the "**Authorised Loan Facilities**") with certain lenders (the "**Authorised Lenders**"), pursuant to which the Authorised Lenders agree to make certain facilities available to the Issuer for the purpose of funding certain working capital, capital expenditure and other expenses of DCC.

The Issuer has entered into certain currency and interest-rate hedging agreements with the Current Issuer Hedge Counterparties in respect of certain Sub-Classes of Bonds, pursuant to which the Issuer hedges certain of its currency and interest-rate obligations. In addition, the Issuer may also enter into certain currency and interest-rate hedging agreements with certain other hedge counterparties (together with the Current Issuer Hedge Counterparties, the "**Hedge Counterparties**") in respect of certain Sub-Classes of Bonds, pursuant to which the Issuer will hedge certain of its currency and interest-rate obligations.

The Trust Deed, the Issuer Deed of Charge, the Issuer STID, the Paying Agency Agreement, the Dealership Agreement, the Final Terms, the Liquidity Facility Agreements, the Hedging Agreements, the Authorised Loan Facilities, the Intercompany Loan Agreements (as defined below), the Guarantee and Reimbursement Agreements (as defined below) and the Master Framework Agreement are together referred to as the "**Issuer Transaction Documents**".

Certain statements in these Conditions are summaries of the detailed provisions in the relevant Final Terms or in the Trust Deed, the Issuer Deed of Charge or the Issuer STID. Copies of, *inter alia*, the Trust Deed, the Issuer Deed of Charge, the Issuer STID, the relevant Final Terms, the Paying Agency Agreement, the Dealership Agreement, the Liquidity Facility Agreements, the Authorised Loan Facilities, the Hedging Agreements, the Guarantee and Reimbursement Agreements, the Intercompany Loan Agreements and the Master Framework Agreement are available for inspection at the specified offices of the Principal Paying Agent or the Paying Agents (in the case of bearer Bonds) or the specified offices of the Transfer Agents and the Registrar (in the case of registered Bonds).

The Bondholders (as defined in Condition 1(c) below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Issuer Deed of Charge, the Issuer STID, the Master Framework Agreement and the relevant Final Terms and to have notice of those provisions of the Paying Agency Agreement and the other Issuer Transaction Documents applicable to them.

Any reference in these conditions to a matter being "**specified**" means as the same may be specified in the relevant Final Terms.

1 Classes, Form, Denomination and Title

(a) Classes and Sub-Classes of Bonds

Bonds issued on the same Issue Date (as defined in Condition 6(i)) comprise a series (each a "**Series**" (as specified in the relevant Final Terms)). Each Series comprises one or more classes of Bonds (each a "**Class**"). The available Classes of Bonds will be "**Class A Bonds**", "**Class B Bonds**", "**Class R Bonds**", "**Class C Bonds**" and "**Class D Bonds**". Each Class of Bonds will be further sub-divided into non-fungible sub-classes (each a "**Sub-Class**" (as specified in the relevant Final Terms)) of Bonds, with each Sub-Class being denominated in different specified currencies or having different Aggregate Nominal Amounts, Interest Rates, Maturity Dates, Issue Prices or other terms (as specified in the relevant Final Terms).

Bonds of any Sub-Class may be fixed rate ("**Fixed Rate Bonds**"), floating rate ("**Floating Rate Bonds**") or index-linked including limited indexed ("**Indexed Bonds**"), depending on the method of calculating interest payable in respect of such Bonds.

(b) Form and Denomination

The Bonds will be issued either (i) in bearer form ("**Bearer Bonds**"), serially numbered in a Specified Denomination (as specified in the relevant Final Terms) or a multiple thereof, or (ii) in registered form ("**Registered Bonds**") serially numbered in a Specified Denomination or a multiple thereof provided that in the case of any Bearer Bonds or Registered Bonds which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Bonds). References in these Conditions to "**Bonds**" include Bearer Bonds and Registered Bonds and, where the context requires, Bonds of all Sub-Classes, Classes and Series.

So long as the Bonds are represented by a temporary Global Note, permanent Global Bond or Global Certificate and the relevant clearing system(s) so permit, the Bonds shall be tradeable only in principal

amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) specified in the Final Terms and multiples thereof.

Interest-bearing Bearer Bonds are issued with Coupons (and, where appropriate, a Talon) attached. After all the Coupons attached to, or issued in respect of, any Bearer Bond which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent. Any Bearer Bond the principal amount of which is redeemable in instalments may be issued with one or more Receipts attached thereto.

"**Maturity Date**" means the date specified in the relevant Final Terms as the final date on which the principal amount of the Bond is due and payable.

A Definitive Registered Bond Certificate (a "**Registered Bond Certificate**") substantially in the form of Schedule 3, Part B to the Trust Deed will be issued to each Bondholder in respect of its registered holding.

(c) Title

Title to Bearer Bonds, Coupons, Receipts and Talons (if any) passes by delivery. Title to Registered Bonds passes by registration in the register (the "**Register**"), which the Issuer shall procure to be kept by the Registrar.

In these Conditions, subject as provided below, each of "**Bondholder**" (in relation to a Bond, Coupon, Receipt or Talon), "**holder**" and "**Holder**" means (i) in relation to a Bearer Bond, the bearer of any Bearer Bond, Coupon, Receipt or Talon (as the case may be) and (ii) in relation to Registered Bond, the person in whose name a Registered Bond is registered, as the case may be. The expressions "**Bondholder**", "**holder**" and "**Holder**" include the holders of instalment receipts (the "**Receipts**") appertaining to the payment of principal by instalments (if any) attached to such Bonds in bearer form (the "**Receiptholders**") and the holders of the coupons (the "**Coupons**") (if any) appertaining to interest bearing Bonds in bearer form (the "**Couponholders**", which expression includes the holders of talons (the "**Talons**") (if any) for further coupons attached to such Bonds (the "**Talonholders**")).

The holder of any Bond, Coupon, Receipt or Talon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Bond or Registered Bond Certificate, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein other than, in the case of a Registered Bond, a duly executed transfer of such Bond in the form endorsed on the Registered Bond Certificate in respect thereof) and no person will be liable for so treating the holder.

(d) Fungible Issues of Bonds comprising a Sub-Class

A Sub-Class of Bonds may comprise a number of issues in addition to the initial Series of such Sub-Class, each of which will be issued on identical terms (in all respects, save for the issue date, interest commencement date and/or issue price). Such further issues of the same Sub-Class will be fungible with the prior issue.

2 Exchanges of Bearer Bonds for Registered Bonds and Transfers of Registered Bonds

(a) Exchange of Bonds

Subject to Condition 2(e), Bearer Bonds may, if so specified in the relevant Final Terms, be exchanged at the expense of the transferor Bondholder for the same aggregate principal amount of Registered Bonds at the request in writing of the relevant Bondholder and upon surrender of the Bearer Bond to be exchanged together with all unmatured Coupons, Receipts and Talons (if any) relating to it at the specified office of the Registrar or any Transfer Agent or Paying Agent. Where, however, a Bearer

Bond is surrendered for exchange after the Record Date (as defined in Condition 9(b)) for any payment of interest or Interest Amount (as defined in Condition 6(h)), the Coupon in respect of that payment of interest or Interest Amount need not be surrendered with it.

Registered Bonds may not be exchanged for Bearer Bonds.

(b) Transfer of Registered Bonds

A Registered Bond may be transferred upon the surrender of the relevant Registered Bond Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of any Transfer Agent or the Registrar. However, a Registered Bond may not be transferred unless (i) the principal amount of Registered Bonds proposed to be transferred and (ii) the principal amount of the Registered Bonds proposed to be the principal amount of the balance of Registered Bonds to be retained by the relevant transferor are, in each case, Specified Denominations. In the case of a transfer of part only of a holding of Registered Bonds represented by a Registered Bond Certificate, a new Registered Bond Certificate in respect of the balance not transferred will be issued to the transferor within three business days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer.

(c) Delivery of New Registered Bond Certificate

Each new Registered Bond Certificate to be issued upon exchange of Bearer Bonds or transfer of Registered Bonds will, within three business days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such request for exchange or form of transfer, be available for delivery at the specified office of the Transfer Agent or the Registrar stipulated in the request for exchange or form of transfer, or be mailed at the risk of the Bondholder entitled to the Registered Bond Certificate to such address as may be specified in such request or form of transfer. For these purposes, a request for exchange or form of transfer received by the Registrar after the Record Date in respect of any payment due in respect of Registered Bonds shall be deemed not to be effectively received by the Registrar until the business day following the due date for such payment.

(d) Exchange at the Expense of Transferor Bondholder

Registration of Bonds on exchange or transfer will be effected at the expense of the transferor Bondholder by or on behalf of the Issuer, the Transfer Agent or the Registrar, and upon payment of (or the giving of such indemnity as the Transfer Agent or the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

(e) Closed Periods

No transfer of a Registered Bond to be registered, nor exchange of a Bearer Bond for a Registered Bond may occur during the period of 15 days ending on the due date for any payment of principal, interest, Interest Amount or Redemption Amount (as defined in Condition 6(i) below) on that Bond.

3 Status of Bonds and Financial Guarantee

(a) Status of Class A Bonds, Class B Bonds and Class R Bonds

This Condition 3(a) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class A Bonds, Class B Bonds or Class R Bonds.

The Bonds, Coupons, Talons and Receipts (if any) are direct and unconditional obligations of the Issuer, secured in the manner described in Condition 4 and will rank *pari passu* without any preference among themselves. However, the Class B Bonds and the Class R Bonds will not have the benefit of any Financial Guarantee.

(b) Status of Class C Bonds

This Condition 3(b) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class C Bonds.

The Bonds, Coupons, Talons and Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4, are subordinated to the Class A Bonds, Class B Bonds and Class R Bonds and rank *pari passu* without any preference among themselves.

(c) Status of Class D Bonds

This Condition 3(c) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class D Bonds.

The Bonds, Coupons, Talons and Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4, are subordinated to the Class A Bonds, Class B Bonds, Class R Bonds and Class C Bonds and rank *pari passu* without any preference among themselves.

(d) Financial Guarantee Issued by Financial Guarantor

This Condition 3(d) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class A Bonds.

Class A Bonds will have the benefit of a Financial Guarantee issued by a Financial Guarantor specified in the relevant Final Terms, issued pursuant to guarantee and reimbursement agreement between the Issuer and the relevant Financial Guarantor dated on or before the relevant Issue Date (as defined in Condition 6(i)) of such Bonds (each a **"Guarantee and Reimbursement Agreement**"). Under the relevant Financial Guarantee, the relevant Financial Guarantor unconditionally and irrevocably agrees to pay to the Bond Trustee all sums due and payable but unpaid by the Issuer in respect of scheduled interest (adjusted for indexation in accordance with these Conditions but not any Subordinated Coupon Amounts) and payment of principal (but not any accelerated amounts) on such Class A Bonds, all as more particularly described in the relevant Financial Guarantee. However, the Issuer is required to draw upon certain liquidity facilities available to it before the relevant Financial Guarantor is required to pay under the relevant Financial Guarantee.

The terms of the relevant Financial Guarantee provide that amounts of principal on any such Bonds which have become immediately due and payable (whether by virtue of acceleration, prepayment or otherwise) other than on the relevant Scheduled Payment Date (as defined under such Financial Guarantee) will not be treated as Insured Amounts or Guaranteed Amounts (as applicable and as defined in such Financial Guarantee) which are Due for Payment (as defined in such Financial Guarantee) under such Financial Guarantee unless the relevant Financial Guarantor in its sole discretion elects so to do by notice in writing to the Bond Trustee. If no such election is made, the relevant Financial Guarantor will continue to be liable to make payments in respect of the Bonds pursuant to the relevant Financial Guarantee on the dates on which such payments would have been required to be made if such amounts had not become immediately due and payable but on the basis that amounts paid by the Issuer in respect of principal would be applied to reduce the relevant Financial Guarantor's obligations *pari passu* in inverse order of maturity.

To the extent that the early redemption price of any Bonds exceeds the aggregate of the Principal Amount Outstanding of and any accrued interest outstanding on any such Bonds to be redeemed, payment of such early redemption price will not be guaranteed by the relevant Financial Guarantor under the relevant Financial Guarantee.

(e) Status of Financial Guarantee

This Condition 3(e) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class A Bonds.

The relevant Financial Guarantee provided by the relevant Financial Guarantor in respect of the Bonds will constitute a direct, unsecured obligation of the relevant Financial Guarantor which will rank at least *pari passu* with all other unsecured obligations of such Financial Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(f) Condition deliberately left blank

(g) Related Agreements

The primary asset of the Issuer will be its rights against Dŵr Cymru Cyfyngedig (an affiliate of the Issuer) ("**DCC**") under the intercompany loan agreements (the "**Intercompany Loan Agreements**") to be entered into by the Issuer with DCC, in respect of which the Issuer will have the benefit of certain security granted by DCC (the "**DCC Security**") and the benefit of certain guarantees and related security granted by affiliates of DCC (the "**Guarantor Security**"). Certain terms of the relevant Intercompany Loan Agreement relating to the Series of Bonds are specified in the relevant Final Terms.

(h) Issuer Security Trustee not responsible for monitoring compliance

As a consequence of the assignment by the Issuer in the Issuer Deed of Charge of the Issuer's rights under the Intercompany Loan Agreements, the Issuer Security Trustee will have all the rights of the Issuer thereunder (except as provided in the Issuer STID and the Issuer Deed of Charge) which rights it will exercise in accordance with the directions of the Issuer Instructing Group. The Issuer Security Trustee shall not be responsible for monitoring compliance by DCC with its obligations under the Intercompany Loan Agreements and the other DCC Transaction Documents (as defined in the Master Framework Agreement) except by means of receipt from DCC of certificates of compliance pursuant to the provisions of the Intercompany Loan Agreements. In particular, where a DCC Event of Default, representation or warranty refers to Material Adverse Effect, material adverse change, materiality or like terminology, the Issuer Security Trustee will not determine such matters (or the absence thereof). DCC has, in the Intercompany Loan Agreement, covenanted with and undertaken to deliver to the Issuer Security Trustee certificates stating whether or not such obligations have been complied with (and whether a DCC Event of Default or potential DCC Event of Default has occurred) and giving details of any non-compliance. The Issuer Security Trustee shall be entitled to rely on such certificates absolutely unless it is instructed otherwise by the Issuer Instructing Group, in which case it will be bound to act on such instructions in accordance with the Issuer STID. Where the Issuer Instructing Group consists of the Bond Trustee acting on behalf of the relevant Bondholders as referred to in the Issuer STID, the Bond Trustee will not determine Material Adverse Effect, material adverse change, materiality or like terminology, but will instead seek that such determination be made by such relevant Bondholders by means of an Extraordinary Resolution.

All Bondholders shall be entitled to a copy of the Periodic Information (as defined in the Master Framework Agreement) as and when available and to a copy of the unaudited interim accounts and audited annual accounts of DCC within 60 days of 30 September and 90 days of 31 March, respectively. The information referred to in this paragraph is publicly available information. Such Periodic Information and such accounts will be made available to Bondholders on the website of Dŵr Cymru Welsh Water.

All DCC Secured Creditors and Issuer Secured Creditors (including the Bondholders) shall be entitled to a copy of the Investors' Report (as defined in the Master Framework Agreement) produced by DCC

within 45 days of each of 30 June and 31 December, 60 days of 30 September and 90 days of 31 March. Such Investors' Report will be made available to Bondholders on the Dŵr Cymru Welsh Water website (http://www.dwrcymru.com/). At the Issuer's sole discretion this part of the Dŵr Cymru Welsh Water website may be password protected and, if so, the password to such part of the website will be provided to the Bondholders (whenever the Investors' Report is produced) in accordance with Condition 17 (although no such notice shall be required to be published in a newspaper). Any Bondholder who provides sufficient evidence of identity may obtain, if applicable, the current password upon application to the Principal Paying Agent or the Registrar (as applicable).

In addition, DCC has covenanted to provide the DCC Secured Creditors and Issuer Secured Creditors who are entitled to vote in accordance with the DCC STID or the Issuer STID, as the case may be, with detailed information on its performance (the "**Company Information**"), as a consequence of which it is possible that the Issuer Instructing Group may direct the Issuer Security Trustee to take action in relation to DCC. After a Default Situation (as defined in the Master Framework Agreement), or where the relevant Financial Guarantor (as defined in the Master Framework Agreement) is not the Issuer Qualifying Debt Representative (as defined in the Master Framework Agreement) for the Class A Bonds, or where there is no Qualifying Debt (as defined in the Master Framework Agreement) in paragraphs (i) and (ii) of the definition thereof, the Bondholders will also be entitled to have access to the Company Information through a separate area of the Dŵr Cymru Welsh Water website which may also be a secure site in the same manner as set out above for the Investors' Report.

In the event of the Dŵr Cymru Welsh Water website at any time becoming non-operational, all such information set out above which would otherwise be available to the Bondholders will be available for inspection at the specified offices of the Paying Agents, the Transfer Agents or the Registrar, as the case may be, and as further specified in the Paying Agency Agreement.

The Bond Trustee, the Issuer Security Trustee, the DCC Security Trustee and the other DCC Secured Creditors and Issuer Secured Creditors will have access to all the information referred to in this Condition 3(h) except that the Bond Trustee will not have access to the Company Information before the Bondholders become entitled to access to it in accordance with this Condition. However, prior to a Default Situation, where the relevant Financial Guarantor is not the Issuer Qualifying Debt Representative for the Class A bonds, and where there is Qualifying Debt in paragraphs (i) and (ii) of the definition thereof none of the Bond Trustee, the Issuer Security Trustee or the DCC Security Trustee will be entitled or obliged to provide the Company Information to Bondholders and (in the case of the Issuer Security Trustee) will not analyse such information but will instead rely on the certifications referred to above.

4 Security, Priority and Relationship with Issuer Secured Creditors

(a) Security

Under the Issuer Deed of Charge, the Bonds are secured by the Issuer Security (including future property) granted by the Issuer in favour of the Issuer Security Trustee (for itself and on behalf of the Issuer Secured Creditors (including the Bond Trustee for itself and on behalf of the Bondholders)). There is no intention to create further security for the benefit of the holders of Bonds issued after the first Series issued by the Issuer. Each further Series of Bonds issued by the Issuer and any additional creditor of the Issuer acceding to the Issuer STID will share in the Issuer Security.

(b) Relationship among Bondholders and with other Issuer Secured Creditors

The Trust Deed contains provisions detailing the Bond Trustee's obligations to consider the interests of the Bondholders as regards all powers, trusts, authorities, duties and discretions of the Bond Trustee (except where expressly provided otherwise and as further referred to in Condition 16(a)).

The Issuer STID provides that the Issuer Security Trustee (except in relation to its Reserved Matters and Entrenched Rights, each as defined in the Issuer STID) will act on instructions of the Issuer Instructing Group (as defined in the Issuer STID) and, when so doing, the Issuer Security Trustee is not required to have regard to the interests of any Issuer Secured Creditor (including the Bond Trustee as trustee for the Bondholders) in relation to the exercise of such rights and, consequently, has no liability to the Bondholders as a consequence of so acting.

(c) Application Prior to Enforcement

Prior to enforcement of the Issuer Security by the Issuer Security Trustee, the Cash Manager, on behalf of the Issuer, is required to apply funds available to the Issuer in accordance with the Issuer Pre-Enforcement Payments Priorities (as set out in the Issuer STID).

(d) Enforceable Security

In the event of the Issuer Security (as defined in the Master Framework Agreement) becoming enforceable as provided in Condition 11, the Issuer Security Trustee shall, if instructed by the Issuer Instructing Group, enforce its rights with respect to the Issuer Security, but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Issuer Secured Creditor (including the Bond Trustee as trustee for the Bondholders), provided that the Issuer Security Trustee shall not be obliged to take any action unless it is indemnified and/or secured to its satisfaction.

(e) Application After Enforcement

Subject to the provisions of the Issuer Deed of Charge and the Issuer STID and as specified in the relevant Final Terms, after enforcement of the Issuer Security, the Issuer Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Accounts to make payments in accordance with the Issuer Post-Enforcement Payments Priorities (as set out in the Issuer STID). After such enforcement, amounts payable to any receiver, the Issuer Security Trustee and any Financial Guarantor (in respect of the relevant Class A Bonds) and certain amounts payable to other Issuer Secured Creditors will rank in priority to payments on the Bonds, as set out in the Issuer Post-Enforcement Payments Priorities.

(f) Bond Trustee and Issuer Security Trustee not liable for security

The Bond Trustee and the Issuer Security Trustee will not be liable for any failure to make the usual investigations or any investigations which might be made by a security holder in relation to the property which is the subject of the Issuer Security and held by way of security for the Bonds, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the Issuer Security whether such defect or failure was known to the Bond Trustee or the Issuer Security Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created in favour of the Issuer under the DCC Security or the Guarantor Security whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security. The Bond Trustee and the Issuer Security Trustee have no responsibility for the value of any such security.

5 Issuer Covenants

So long as any of the Bonds remain outstanding, the Issuer has agreed to comply with the Issuer Covenants as set out in the Master Framework Agreement.

The Bond Trustee shall be entitled to rely absolutely on a certificate of any director of the Issuer in relation to any matter relating to the Issuer Covenants and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter stated in such certificate.

6 Interest and other Calculations

(a) Interest Rate and Accrual

Each Bond bears interest on its Principal Amount Outstanding (or as otherwise specified in the relevant Final Terms) from the Interest Commencement Date (as defined in Condition 6(i)) at the Interest Rate (as defined in Condition 6(i)), such interest being payable in arrear (unless otherwise specified in the relevant Final Terms) on each Interest Payment Date (as defined in Condition 6(i)).

Interest will cease to accrue on each Bond on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate in the manner provided in this Condition 6 to the Relevant Date (as defined in Condition 6(i)).

In the case of Class C Bonds and Class D Bonds only, if, on any Interest Payment Date, prior to delivery of an enforcement notice under Condition 11, there are insufficient funds available to the Issuer to pay such accrued interest, it will be treated as not having fallen due and will be deferred until the earlier of: (i) the next following Interest Payment Date on which the Issuer has, in accordance with the Issuer Pre-Enforcement Payments Priorities, sufficient funds available to pay such deferred amounts (including any interest accrued thereon); and (ii) the Interest Payment Date of the last maturing Bond which ranks in priority to the Class C Bonds or the Class D Bonds, as the case may be. Interest will accrue on such deferred interest at the rate otherwise payable on unpaid principal of such Class C Bonds or Class D Bonds, as the case may be.

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified, as the case may be, provided that the Minimum Interest Rate may not be less than zero. If no Minimum Interest Rate is specified in the relevant Final Terms then it shall be deemed to be zero.

(b) Business Day Convention

If any date referred to in these Conditions or the relevant Final Terms is specified to be subject to adjustment in accordance with a Business Day Convention and would otherwise fall on a day which is not a Business Day, then if the Business Day Convention specified in the relevant Final Terms is:

(i) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day;

(ii) the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or

(iii) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(c) Floating Rate Bonds

This Condition 6(c) is applicable only if the relevant Final Terms specifies the Bonds as Floating Rate Bonds. The Interest Rate(s) payable from time to time in respect of the Floating Rate Bonds will be determined in the manner specified hereon and the provisions below relating to either Screen Rate Determination or ISDA Determination, depending upon which is specified in the applicable Final Terms.

(i) Screen Rate Determination save where the Reference Rate is SONIA

I. If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, and the Reference Rate specified in

the applicable Final Terms is not SONIA, the Interest Rate applicable to the Bonds for each Interest Period will, subject as provided below, be either;

(1) the offered quotation; or

(2) the arithmetic mean 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 as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Agent Bank. 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 Agent Bank for the purpose of determining the arithmetic mean of such offered quotations.

II. If, the Relevant Screen Page is not available or if sub-paragraph (I)(1) above applies and no such offered quotation appears on the Relevant Screen Page or, if sub-paragraph (I)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Issuer (or an agent which the Issuer shall appoint at such time to request such quotations and select Reference Banks, a "**Quotation Agent**") shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Agent Bank with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent Bank with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Agent Bank.

III. If paragraph (II) above applies and the Issuer (or a Quotation Agent) determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Issuer shall notify the Agent Bank and the Interest Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated (at the request of the Issuer or the Quotation Agent) to the Agent Bank by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Relevant Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Agent Bank with such offered rates, the offered rate for deposits in the Relevant Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Relevant Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the the Issuer (or the Quotation Agent, if any) suitable for such

purpose) informs the Agent Bank it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Interest Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Interest Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Interest Rate is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Interest Rate relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Interest Rate relating to that last preceding Interest Period).

(ii) ISDA Determination

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Bonds for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Agent Bank under an interest rate swap transaction if the Agent Bank were acting as the agent calculating that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

I. the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

II. the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 6(i)); and

III. the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period, (2) if the relevant Floating Rate Option is based on EURIBOR, the first day of that Interest Period or (3) in any other case, as specified in the relevant Final Terms,

provided, however, that if the Agent Bank is unable to determine a rate in accordance with the above provisions in relation to any Interest Period, then the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the sum of the Margin (if applicable) and the rate or last determined in relation to the Notes in respect of the immediately preceding Interest Period.

(iii) Screen Rate Determination where the Reference Rate is SONIA

I. If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, and the Reference Rate specified in the applicable Final Terms is SONIA, the Interest Rate applicable to the Bonds for each Interest Period will be the Compounded Daily SONIA as determined by the Agent Bank plus or minus the Margin (as specified in the applicable Final Terms).

"**Compounded Daily SONIA**", with respect to each Interest Period, will be calculated by the Agent Bank on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005% being rounded upwards:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SONIA_{i-pLBD}\times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Interest Period;

"**d_o**" is the number of London Banking Days in the relevant Interest Period;

"***i***" is a series of whole numbers from one to d_o, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Period to, and including, the last London Banking Day in the relevant Interest Period;

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

"**n_i**" for any London Banking Day "***i***", means the number of calendar days from and including such London Banking Day "***i***" up to but excluding the following London Banking Day;

"**p**" is the number of London Banking Days included in the Reference Look-Back Period, as specified in the applicable Final Terms provided that "p" shall not be less than three London Banking Days at any time and shall not be less than five London Banking Days without prior written approval of the Agent Bank;

"**Reference Look-Back Period**" is as specified in the applicable Final Terms;

"**Reference Period**" means, in respect of an Interest Period, the period from and including the date falling "**p**" London Banking Days prior to the first day of such Interest Period and ending on, but excluding, the date falling "**p**" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "**p**" London Banking Days prior to such earlier date, if any, on which the Bonds become due and payable);

the "**SONIA Reference Rate**", in respect of any London Banking Day, is a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Page or, if the Page is unavailable, as otherwise published by such authorised distributors (on the London Banking Day immediately following such London Banking Day); and

"**$SONIA_{i\text{-}pLBD}$**" means, in respect of any London Banking Day, falling in the relevant Interest Period, the SONIA Reference Rate for the London Banking Day which is "**p**" London Banking Days prior to the relevant London Banking Day "***i***".

II. If, subject to Condition 6(k) (*Benchmark Discontinuation*), in respect of any London Banking Day in the relevant Reference Period, the Agent Bank determines that the SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall be:

(a) (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or

(b) if the Bank Rate is not published by the Bank of England at close of business on the relevant London Banking Day, the SONIA Reference Rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA Reference Rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

III. Notwithstanding the paragraphs above, but subject to Condition 6(k) (*Benchmark Discontinuation*), if the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined or (ii) any rate that is to replace the SONIA Reference Rate, the Agent Bank shall, subject to receiving written instructions from the Issuer and to the extent reasonably practicable, follow such guidance in order to determine SONIA for the purpose of the Bonds for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors.

IV. In the event that the Interest Rate cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 6(k) (*Benchmark Discontinuation*), the Interest Rate shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Interest Rate is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Interest Rate relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Interest Rate relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Interest Rate which would have been applicable to such Bonds for the first Interest Period had the Bonds been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum or Minimum Interest Rate applicable to the first Interest Period).

V. If the relevant Series of Bonds become due and payable in accordance with Condition 11 (*Events of Default and Enforcement*), the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the Final Terms, be deemed to be the date on which such Bonds became due and payable and the Interest Rate on such Bonds shall, for so long as the Bonds remain outstanding, be that determined on such date.

Notwithstanding any term of these Conditions, for so long as any Class R Bonds are held by, for or on behalf of the Issuer, or any affiliate of the Issuer, such Class R Bonds will not accrue any interest.

(d) Fixed Rate Bonds

This Condition 6(d) is applicable only if the relevant Final Terms specifies the Bonds as Fixed Rate Bonds.

The Interest Rate applicable to the Bonds for each Interest Period will be the fixed rate specified in the relevant Final Terms.

(e) Indexed Bonds

This Condition 6(e) is applicable only if the relevant Final Terms specifies the Bonds as Indexed Bonds.

Payments of principal on, and the interest payable in respect of, the Bonds will be subject to adjustment for indexation and to the extent set out in Condition 7(b). The Interest Rate applicable to the Bonds for each Interest Period will be at the rate specified in the relevant Final Terms.

(f) Rounding

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

(i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up);

(ii) all figures will be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up); and

(iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with half a unit being rounded up). For these purposes, "**unit**" means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

(g) Calculations

The amount of interest payable per Calculation Amount (as specified in the Final Terms) in respect of any Bond for each Interest Period shall be equal to the product of the Interest Rate, the Calculation Amount, and the Day Count Fraction (as defined in Condition 6(i)), for such Interest Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Period in which case the amount of interest payable per Calculation Amount in respect of such Bond for such Interest Period will equal such Interest Amount (or be calculated in accordance with such formula). In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation, the Agent Bank will determine the Interest Rate and calculate the Interest Amounts for the relevant Interest Period, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount or any Instalment Amount to be notified, in the case of Bearer Bonds, to the Paying Agents or, in the case of Registered Bonds, the Transfer Agents and the Registrar, the Bond Trustee, the Issuer, the Bondholders and the Luxembourg Stock Exchange as soon as possible after its determination but in no event later than (i) (in case of notification to the Luxembourg Stock Exchange) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Bonds become due and payable under Condition 11, the accrued interest and the Interest Rate payable in respect of the Bonds shall nevertheless continue to be calculated as previously provided in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Bond Trustee. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank or, as the case may be, the Bond Trustee pursuant to this Condition 6 or Condition 7, shall (in the absence of manifest error) be final and binding upon all parties.

(i) Agent Bank

The Issuer will procure that there shall at all times be an Agent Bank if provision is made for them in these Conditions applicable to this Bond and for so long as it is outstanding. If the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(j) Benchmark Event

Notwithstanding the provisions above in Condition 6(c), if a Benchmark Event occurs in relation to an Original Reference Rate when any Interest Rate (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall notify the Agent Bank and the following provisions of this Condition 6(k) shall apply.

(i) *Independent Adviser*. The Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 6(k)(ii)) and notify the Agent Bank of such determinations prior to the date which is 10 Business Days prior to the relevant Interest Determination Date and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 6(k)(iv)). In making such determination, the Independent Adviser appointed pursuant to this Condition 6(k) shall act in good faith as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Bondholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 6(k).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 6(k)(i), and/or notify the Agent Bank of such determinations prior to the date which is 10 Business Days prior to the relevant Interest Determination Date, the Interest Rate applicable to the next succeeding Interest Period shall be equal to the Interest Rate last determined in relation to the Bonds in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Interest Rate shall be the initial Interest Rate. Where a different Margin or Maximum or Minimum Interest Rate is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Interest Rate relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Interest Rate relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 6(k)(i).

(ii) *Successor Rate or Alternative Rate*. If the Independent Adviser determines that:

(x) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Bonds (subject to the operation of this Condition 6(k)); or

(y) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Interest Rate (or the relevant component part thereof) for all future payments of interest on the Bonds (subject to the operation of this Condition 6(k)).

(iii) *Adjustment Spread*. To the extent an Adjustment Spread is to be determined, the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Issuer shall notify the Agent Bank and the Noteholders and the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread.

(iv) *Benchmark Amendments*. If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 6(k) and the Independent Adviser determines (i) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread provided that they do not, without the prior agreement of each Paying Agent or the Agent Bank, as applicable, have the effect of increasing the obligations or duties, or decreasing the rights or protections, of each such Paying Agent or the Agent Bank under these Conditions, the Trust Deed and/or any other Issuer Transaction Document, being (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 6(k)(v), without any requirement for the consent or approval of Bondholders vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Bond Trustee of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 6(k)(v), the Bond Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Bondholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Bond Trustee shall not be obliged so to concur if in the opinion of the Bond Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions or rights afforded to the Bond Trustee in these Conditions, the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) and/or any other Issuer Transaction Document in any way.

In connection with any such variation in accordance with this Condition 6(k)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices*. Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 6(k) will be notified promptly by the Issuer to the Bond Trustee, the Agent Bank, the Paying Agents and, in accordance with Condition 17, the Bondholders. Such notice shall be irrevocable and shall specify the effective date, which shall be not less than ten Business Days prior to the next Interest Determination Date, of the Benchmark Amendments, if any.

No later than notifying the Bond Trustee of the same, the Issuer shall deliver to the Bond Trustee, the Agent Bank and the Paying Agents a certificate signed by two Authorised Signatories of the Issuer:

(x) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 6(k); and

(y) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Bond Trustee, the Agent Bank and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Bond Trustee's or the Agent Bank's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Bond Trustee, the Agent Bank, the Paying Agents and the Bondholders.

(vi) *Uncertainty.* Notwithstanding any other provision of this Condition 6, if in any Paying Agent's or the Agent Bank's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 6, the Agent Bank or applicable Paying Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Agent Bank and/or Paying Agent in writing as to which alternative course of action to adopt. If the Agent Bank and/or Paying Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Agent Bank and Paying Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.[3]

(vii) *Survival of Original Reference Rate*. Without prejudice to the obligations of the Issuer under Condition 6(k)(i), (ii), (iii) and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 6(c)(i) will continue to apply unless and until a Benchmark Event has occurred.

(k) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

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

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body;

or (if no such recommendation has been made, or in the case of an Alternative Rate);

(ii) the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate;

or (if the Independent Adviser determines that no such spread is customarily applied);

(iii) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 6(k)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Relevant Currency as the Bonds;

"**Benchmark Amendments**" has the meaning given to it in Condition 6(k)(iv);

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Bonds; or

(v) it has become unlawful for any Paying Agent, the Agent Bank or the Issuer to calculate any payments due to be made to any Bondholder using the Original Reference Rate; or

(vi) a public statement by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative of its relevant underlying market,

provided that in the case of sub-paragraphs (ii), (iii) and (iv), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement;

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) Additional Business Centre specified in the relevant Final Terms; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the Relevant Currency (which in the case of a payment in U.S. Dollars shall be New York) and in each (if any) Additional Business Centre specified in the relevant Final Terms;

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

(i) if "**Actual/Actual (ICMA)**" is specified, the sum of, for each Determination Period (as specified in the Final Terms) contained either wholly or in part in the Calculation Period, the number of days in the Determination Period falling in the Calculation Period divided by the product of (x) the number of days in the Determination Period and (y) the number of Determination Dates (as specified in the Final Terms) that would occur in one calendar year;

(ii) if "**Actual/Actual**" or "**Actual/Actual-ISDA**" is specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in

a leap year divided by 366, and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is specified, the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(v) if "**Actual/360**" is specified, the actual number of days in the Calculation Period divided by 360;

(vi) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D2 will be 30; and

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

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

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

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

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

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30;

"**EURIBOR**" means the rate for Euro deposits for such period as specified in the relevant Final Terms and for each Interest Period thereafter, for Euro deposits for the relevant Interest Period as determined by reference to the EURIBOR Rates display as quoted on the Dow Jones Reuters monitor as EURIBOR01 at 11.00 a.m. Brussels time. If the Dow Jones Routers Screen EURIBOR01 stops providing these quotations, the replacement service for the purposes of displaying this information will be used. If the replacement service stops displaying the information, any page showing this information may be used. If there is more than one replacement service displaying the information, the one approved in writing by the Agent Bank in its sole discretion will be used;

"**euro**" means the lawful currency of the Participating Member States;

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by, and at the expense of, the Issuer under Condition 6(k)(i);

"**Interest Amount**" means:

(i) in respect of an Interest Period, the amount of interest payable per Calculation Amount for that Interest Period and which, in the case of Fixed Rate Bonds, and unless otherwise specified in

the relevant Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified as being payable on the Interest Payment Date ending the Interest Period; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Final Terms;

"**Interest Determination Date**" means, with respect to an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified: (i) if the Reference Rate is not SONIA, the day falling two Business Days in London prior to the first day of such Interest Period (or if the specified currency is sterling the first day of such Interest Period); or (ii) if the Reference Rate is SONIA, the day falling five London Banking Days prior to the Interest Payment Date for such Interest Period, or such other day as approved in writing by the Agent Bank;

"**Interest Payment Date**" means the date(s) specified as such in the relevant Final Terms;

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the rate of interest payable from time to time in respect of the Bonds and which is either specified in, or calculated in accordance with the provisions of, these Conditions and/or the relevant Final Terms;

"**ISDA Benchmarks Supplement**" means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Bonds of the relevant Sub-Class (as specified in the relevant Final Terms)) published by the International Swaps and Derivatives Association, Inc;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Bonds of the relevant Sub-Class as published by the International Swaps and Derivatives Association, Inc.) and, if specified in the relevant Final Terms, as supplemented by the ISDA Benchmarks Supplement;

"**Issue Date**" means the date specified in the relevant Final Terms;

"**Margin**" means the rate per annum (expressed as a percentage) specified in the relevant Final Terms;

"**LIBOR**" means the rate for Sterling or U.S. dollar (as applicable) deposits for such period as specified in the relevant Final Terms and for each Interest Period thereafter, for Sterling or U.S. dollar (as applicable) deposits for the relevant Interest Period as determined by reference to the Intercontinental Exchange LIBOR Rates display as quoted on the Bridge Reuters monitor as Reuters Screen LIBOR01 at 11.00 a.m. London time. If the Reuters Screen LIBOR01 stops providing these quotations, the replacement service for the purposes of displaying this information will be used. If the replacement service stops displaying the information, any page showing this information may be used. If there is more than one replacement service displaying the information, the one approved in writing by the Agent Bank in its sole discretion will be used;

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Interest Rate (or any component part thereof) on the Bonds;

"**Participating Member State**" means a Member State of the European Community which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Community (as amended by the Treaty on European Union and the Treaty of Amsterdam), and "**Participating Member States**" means all of them;

"**Principal Amount Outstanding**" means, in relation to a Bond, Sub-Class or Class, the original face value thereof less any repayment of principal made to the Holder(s) thereof in respect of such Bond, Sub-Class or Class;

"**Redemption Amount**" means the amount provided under Condition 8(b), unless otherwise specified in the relevant Final Terms;

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer (or a Quotation Agent) or as specified in the relevant Final Terms;

"**Reference Rate**" means the rate specified as such in the relevant Final Terms;

"**Relevant Currency**" means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Bonds are denominated;

"**Relevant Date**" means the earlier of (a) the date on which all amounts in respect of the Bonds have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Bondholders in accordance with Condition 17;

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

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified (or any successor or replacement page, section, caption, column or other part of a particular information service) in the Relevant Final Terms;

"**Specified Duration**" means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the Designated Maturity specified in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period;

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

"**TARGET Settlement Day**" means any day on which the TARGET system is open; and

"**TARGET system**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) system which was launched on 19 November 2007 or any successor thereto.

7 Indexation

This Condition 7 is applicable only if the relevant Final Terms specifies the Bonds as Indexed Bonds including Limited Indexed Bonds (as defined below).

(a) Definitions

"**Base Index Figure**" means (subject to Condition 7(c)(i)) the Base Index Figure as specified in the relevant Final Terms.

"**Index**" or "**Index Figure**" means, in relation to any relevant month (as defined in Condition 7(c)(ii) (Delay in publication of index)), subject as provided in Condition 7(c)(i) (*Change in base*), (i) the UK Retail Price Index (RPI) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt, (ii) if CPI is specified in the relevant Final Terms, the UK Consumer Prices Index published by the Office for National Statistics (January 2015 = 100) or any comparable index which may replace the UK Consumer Prices Index for the purpose of calculating the amount payable on repayment of the Reference Gilt; or (iii) if CPIH is specified in the relevant Final Terms, the UK Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax published by the Office for National Statistics (January 2015 = 100) or any comparable index which may replace the UK Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax for the purpose of calculating the amount payable on repayment of the Reference Gilt.

Any reference to the "**Index Figure**" applicable to a particular Calculation Date shall, subject as provided in Condition 7(c) and (e), and if "3 months lag" is specified in these terms and conditions of the Bonds, be calculated in accordance with the following formula:

$$\text{IFA} = \text{RPI}_{\text{m}-3} + \frac{\left(\text{Day of Calculation Date} - 1\right)}{\left(\text{Days in month of Calculation Date}\right)} \times \left(\text{RPI}_{\text{m}-2} - \text{RPI}_{\text{m}-3}\right)$$

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

"**IFA**" means the Index Figure applicable;

"**$\text{RPI}_{\text{m}-3}$**" means the Index Figure for the first day of the month that is three months prior to the month in which the payment falls due;

"**$\text{RPI}_{\text{m}-2}$**" means the Index Figure for the first day of the month that is two months prior to the month in which the payment falls due; and

"**Calculation Date**" means any date when a payment of interest or, as the case may be, principal falls due.

"**Index Ratio**" applicable to any month means the Index Figure applicable to such month divided by the Base Index Figure.

"**Limited Index Ratio**" means (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month.

"**Limited Indexation Factor**" means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor.

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

"**Limited Indexed Bonds**" means Indexed Bonds to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies.

"**Reference Gilt**" means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer and approved by the Bond Trustee (an "**Indexation Adviser**").

(b) Application of the appropriate Index Ratio

Each payment of interest and principal in respect of the Bonds shall be the amount provided in or determined in accordance with these Conditions, multiplied by the Index Ratio, or Limited Index Ratio in the case of Limited Indexed Bonds, applicable to the month in which such payment falls to be made and rounded to four decimal places (0.00005 being rounded upwards).

(c) Changes in Circumstances Affecting the Index

(i) *Change in base*: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the calendar month from and including which such substitution takes effect (1) the definition of "**Index**" and "**Index Figure**" in Condition 7(a) shall be deemed to refer to the new date or month in substitution for January 1987 or January 2015, as applicable (or, as the case may be, to such other date or month as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the existing Base Index Figure (being as specified in the Final Terms) and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) *Delay in publication of Index*: If the Index Figure relating to any month (the "**relevant month**") which is required to be taken into account for the purposes of the determination of the Index Figure applicable to any date is not published on or before the fourteenth business day before the date on which any payment of interest or principal on the Bonds is due (the "**date for payment**"), the Index Figure applicable to the relevant month shall be (1) such substitute index figure (if any) as the Bond Trustee, considers to have been published by the Bank of England for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Advisor and approved by the Bond Trustee, or (2) if no such determination is made by such Indexation Adviser within 7 days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 7(c)(i)) before the date for payment.

(d) Application of Changes

Where the provisions of Condition 7(c)(ii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7(c)(ii)(2), the Index Figure relating to the relevant month is subsequently published while a Bond is still outstanding, then:

(i) in relation to a payment of principal or interest in respect of such Bond other than upon final redemption of such Bond, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7(c)(ii)(2), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and

(ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(e) Cessation of or Fundamental Changes to the Index

(i) If (1) the Bond Trustee has been notified by the Agent Bank that the Index has ceased to be published or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Bond Trustee acting solely on the advice of an Indexation Adviser, be materially prejudicial to the interests of the Bondholders, the Bond Trustee will give written notice of such occurrence to the Issuer, and the Issuer and the Bond Trustee together shall seek to agree for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

*(f) If the Issuer and the Bond Trustee fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (i), a bank or other person in London shall be appointed by the Issuer and the Bond Trustee or, failing agreement on and the making of such appointment within 20 business days following the expiry of the 20 day period referred to above, by the Bond Trustee (in each case, such bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Bond Trustee in connection with such appointment shall be borne by the Issuer.*

(g) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Bond Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Bond Trustee and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Bond Trustee, the Financial Guarantors, the other Issuer Secured Creditors, the Issuer and the Bondholders, and the Issuer shall give notice to the Bondholders in accordance with Condition 17 of such amendments as promptly as practicable following such notification.

8 Redemption, Purchase and Cancellation

(a) Partial and Final Redemption

Unless previously redeemed, or purchased and cancelled as provided below, or unless such Bond is stated in the relevant Final Terms as having no fixed maturity date, each Bond will be redeemed at its Principal Amount Outstanding (in the case of Indexed Bonds (and where Index Linked Redemption is specified in the relevant Final Terms), as adjusted in accordance with Condition 11, on the date or dates (or, in the case of Floating Rate Bonds, on the Interest Payment Date(s) upon which interest is payable) specified in the relevant Final Terms.

(b) Optional Redemption

Subject as provided below, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Issuer Security Trustee, the Issuer Instructing Group and the Bondholders, the Issuer may (prior to the Maturity Date) redeem any Sub-Class of the Bonds in whole or in part (but on a pro rata

basis only) on any Interest Payment Date at their Redemption Amount, provided that Floating Rate Bonds may not be redeemed before the date specified in the relevant Final Terms, as follows:

(i) In respect of Fixed Rate Bonds, the Redemption Amount will be an amount equal to the higher of (i) their Principal Amount Outstanding and (ii) the price determined to be appropriate by a financial adviser in London (selected by the Issuer and approved by the Bond Trustee) as being the price at which the Gross Redemption Yield (as defined below) on such Bonds on the Reference Date (as defined below) is equal to the Gross Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Benchmark Gilt (as defined below) while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Bond Trustee) determine to be appropriate, plus accrued but unpaid interest on the Principal Amount Outstanding.

For the purposes of this Condition 8(b)(i), "**Gross Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published 8 June 1998 with effect from 1 November 1998, page 4; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(b)(i); and "**Benchmark Gilt**" means the Treasury Stock specified in the relevant Final Terms.

(ii) In respect of Floating Rate Bonds, the Redemption Amount will be the Principal Amount Outstanding plus any premium for early redemption in certain years (as specified in the relevant Final Terms) plus any accrued but unpaid interest on the Principal Amount Outstanding.

(iii) In respect of Indexed Bonds, the Redemption Amount will be the higher of (i) the Principal Amount Outstanding (as adjusted in accordance with Condition 7(b)) and (ii) the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by a financial adviser in London (selected by the Issuer and approved by the Bond Trustee) as being the price at which the Gross Real Redemption Yield (as defined below) on the Bonds on the Reference Date (as defined below) is equal to the sum of:

(A) the Gross Real Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market, selected by the Issuer and approved by the Bond Trustee), determine to be appropriate; and

(B) the Applicable Uplift (if any) specified in the relevant Final Terms or Drawdown Prospectus,

plus accrued but unpaid interest (as adjusted in accordance with Condition 7(b)) on the Principal Amount Outstanding.

For the purposes of this Condition 8(b)(iii), "**Gross Real Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the United Kingdom Debt Management Office publication "Formulae for calculating Gilt Prices from Yields" published 8 June 1998 with effect from 1 November 1998, and updated on 16 March 2005 (as further updated, supplemented, amended or replaced from time to time), pages 12 to 13 or any replacements therefor; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(b)(iii).

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Issuer Transaction Documents) to the Bond Trustee that it will have the funds, not subject to any interest of any other person, required to redeem the Bonds as aforesaid.

(c) Redemption for Index Event, Taxation and Other Reasons

Redemption for Index Events: Upon the occurrence of any Index Event (as defined below), the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Issuer Security Trustee, the Issuer Instructing Group and the holders of the Indexed Bonds in accordance with Condition 17, redeem all (but not some only) of the Indexed Bonds of all Sub-Classes on any Interest Payment Date at the Principal Amount Outstanding plus accrued but unpaid interest and any amounts in respect of indexation on such Indexed Bonds. No single Sub-Class of Indexed Bonds may be redeemed in these circumstances unless all the other Sub-Classes of Indexed Bonds are also redeemed at the same time. Before giving any such notice, the Issuer shall provide to the Bond Trustee the Issuer Security Trustee, and the Issuer Instructing Group a certificate signed by an authorised signatory (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption.

"**Index Event**" means (i) if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 7(c)(ii) and the Bond Trustee has been notified by the Agent Bank that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index has been advised by the Indexation Advisor to the Issuer and such circumstances are continuing.

Redemption for Taxation Reasons: In addition, if the Issuer satisfies the Bond Trustee that the Issuer would, on the next Interest Payment Date, become obliged to deduct or withhold from any payment of interest or principal in respect of the Bonds (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political subdivision thereof, or any other authority thereof or any change in the application or official interpretation of such laws or regulations, then the Issuer may, in order to avoid the relevant deduction or withholding, use its reasonable endeavours to arrange substitution of a company incorporated in another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds and as lender under the Intercompany Loan Agreements upon satisfying the conditions for substitution of the Issuer as set out in the Issuer STID (and referred to in Condition 15(c)). If the Issuer is unable to arrange a substitution as described above and, as a result, the relevant deduction or withholding is continuing then the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Issuer Security Trustee, the Issuer Instructing Group and the Bondholders in accordance with Condition 17, redeem all (but not some only) of the Bonds of all Sub-Classes on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon and, in the case of Indexed Bonds, amounts in respect of indexation. Before giving any such notice, the Issuer shall provide to the Bond Trustee, the Issuer Security Trustee and the Issuer Instructing Group a certificate signed by an authorised signatory (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to discharge all its liabilities in respect of the Bonds and any amounts to be paid in priority to, or *pari passu* with, the Bonds under the Issuer Pre-Enforcement Payments Priorities.

Redemption on Prepayment of Intercompany Loan Agreement: If DCC gives notice to the Issuer under an Intercompany Loan Agreement that it intends to prepay all or part of any advance made under such Intercompany Loan Agreement and such advance was funded by the Issuer from the proceeds of the issue of a Sub-Class of Bonds, the Issuer shall, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Issuer Security Trustee, the Issuer Instructing Group and the Bondholders in accordance with Condition 17, (where such advance is being prepaid in whole) redeem all of the Bonds of that Sub-Class or (where part only of such advance is being prepaid) the proportion of the relevant Sub-Class of Bonds which the proposed prepayment amount bears to the amount of the relevant advance. In the case of a voluntary prepayment, the relevant Bonds will be redeemed at their Redemption Amount plus accrued but unpaid interest and, in the case of any other prepayment, the relevant Bonds will be redeemed at their Principal Amount Outstanding plus accrued but unpaid interest.

(d) Purchase of Bonds other than R Bonds

The Issuer may, provided that no Issuer Event of Default has occurred and is continuing, purchase Bonds other than Class R Bonds (or any of them) (provided that all unmatured Receipts and Coupons and unexchanged Talons (if any) appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

If not all the Bonds which are in registered form are to be purchased, upon surrender of the existing Registered Bond Certificate, the Registrar shall forthwith upon the written request of the Bondholder concerned issue a new Registered Bond Certificate in respect of the Bonds which are not to be purchased and despatch such Registered Bond Certificate to the Bondholder (at the risk of the Bondholder and to such address as the Bondholder may specify in such request).

Whilst the Bonds are represented by a Global Bond or Registered Global Bond (as defined below), the relevant Global Bond or Registered Global Bond will be endorsed to reflect the Principal Amount Outstanding of Bonds to be so redeemed or purchased.

(e) Purchase of Class R Bonds

(i) The Issuer may purchase Class R Bonds on any day in the open market at any price which does not exceed their Principal Amount Outstanding plus accrued interest and in relation to such purchase shall, for so long as the Class R Bonds are admitted to trading on the regulated market of the Luxembourg Stock Exchange, comply with all applicable regulations of the Luxembourg Stock Exchange and may, at its option, hold, resell or cancel any such Class R Bonds held by it from time to time, provided that the Issuer shall not be entitled to resell such Class R Bonds:

(a) if any Issuer Event of Default exists; or

(b) (in the case of any Class R Extension Amount (as defined in Condition 8(e)(vi)) if any DCC Event of Default (as defined under the Master Framework Agreement) exists.

(ii) The Issuer will save where an Issuer Event of Default exists) on any Interest Payment Date repurchase all Class R Bonds outstanding on each Interest Payment Date at a price which is equal to their Principal Amount Outstanding, plus accrued but unpaid interest thereon. The Issuer may at its option cancel, hold or resell all or any of the Class R Bonds so purchased, provided that the Issuer shall not be entitled to resell any such Class R Bonds:

(a) if any Issuer Event of Default exists; or

(b) (in the case of any Class R Extension Amount) if any DCC Event of Default exists.

(iii) If, by virtue of the operation of Condition 8(e)(ii), the Issuer is not obliged to repurchase the Class R Bonds on any Interest Payment Date, the Issuer shall, immediately upon becoming

aware that it will not be repurchasing such Class R Bonds by virtue of the operation of Condition 8(e)(ii) (and in any event, by no later than 11.00 a.m. on the Interest Payment Date upon which it would otherwise have repurchased such Class R Bonds), give notice to the Class R Bondholders, the Rating Agencies and the Principal Paying Agent (in the case of Bearer Bonds) and the Transfer Agents and the Registrar (in the case of Registered Bonds), in accordance with the provisions of Condition 17, specifying the amount of Class R Bonds which will not be repurchased on such Interest Payment Date.

(iv) Notwithstanding the provisions of Conditions 8(e)(i) and 8(e)(ii), the Issuer shall not be entitled to resell any Class R Bonds which it has repurchased following the occurrence of any of the events referred to in sub-paragraphs (a), (b) or (c) of either of Conditions 8(e)(i) and 8(e)(ii). Further, while any Issuer Event of Default exists, Class R Bonds may not be repurchased and shall only be redeemed in accordance with Conditions 8(b) and (c). Any Class R Bonds so redeemed shall be cancelled upon redemption. The Class R Bonds (if any) which are the first Class R Bonds to be resold by the Issuer following the occurrence of any of the events referred to in sub-paragraphs (b) or (c) of either of Conditions 8(e)(i) and 8(e)(ii) shall be deemed to be, and shall for all purposes be treated as, Class R Extension Amounts of the relevant Class.

(v) In these Conditions:

"**Affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose, "**control**" means control as defined in the Companies Act 2006;

"**Class R Extension Amount**" means the amount (if any) by which, on any Class R Further Drawing Date, the face value of the Class R Bonds being resold by the Issuer on such day exceeds the Principal Amount Outstanding of the Class R Bonds held by persons, other than the Issuer or any affiliate of the Issuer, on the day which immediately preceded such Class R Further Drawing Date; and

"**Class R Further Drawing Date**" means any date upon which Class R Bonds are resold.

(f) Redemption by Instalments

Unless previously redeemed, purchased and cancelled as provided in this Condition 8, each Bond which provides for Instalment Dates (as specified in the relevant Final Terms) and Instalment Amounts (as specified in the relevant Final Terms) will be partially redeemed on each Instalment Date at the Instalment Amount.

(g) Cancellation

In respect of all Bonds purchased by or on behalf of the Issuer other than as provided in Condition 8(e), the Bearer Bonds or the Registered Bond Certificates shall be surrendered to or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will, together with all Bonds redeemed by the Issuer, be cancelled forthwith (together with, in the case of Bearer Bonds, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

9 Payments

(a) Bearer Bonds

Payments to the Bondholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Bonds will, subject as mentioned below, be made against presentation and surrender of the

relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and provided that the Receipt is presented for payment together with its relative Bond), Bonds (in the case of all other payments of principal and, in the case of interest, as specified in Condition 9(f)) or Coupons (in the case of interest, save as specified in Condition 9(f)), as the case may be, at the specified office of any Paying Agent outside the United States of America by transfer to an account denominated in the currency in which such payment is due with, or (in the case of Definitive Bonds only) a cheque payable in that currency drawn on, a bank in (i) the principal financial centre of that currency provided that such currency is not euro, or (ii) the principal financial centre of any Participating Member State if that currency is euro.

(b) Registered Bonds

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation and surrender of the relevant Registered Bond Certificate at the specified office of the Registrar and in the manner provided in Condition 9(a).

Payments of instalments in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation of the relevant Registered Bond Certificate at the specified office of the Registrar in the manner provided in Condition 9(a) above and annotation of such payment on the Register and the relevant Registered Bond Certificate.

Interest (or, as the case may be, Interest Amounts) on Registered Bonds payable on any Interest Payment Date will be paid to the holder (or the first named if joint holders) on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payment of interest or Interest Amounts on each Registered Bond will be made in the currency in which such payment is due by cheque drawn on a bank in (a) the principal financial centre of the country of the currency concerned, provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the Bondholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in (a) the principal financial centre of the country of that currency provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro.

(c) Payments in the United States of America

Notwithstanding the foregoing, if any Bearer Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if:

(i) the Issuer shall have appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bonds in the manner provided above when due;

(ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and

(iii) such payment is then permitted by the law of the United States of America, without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(iv) Payments subject to fiscal laws; payments on Global Bonds and Registered Bonds

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 9. No commission or expenses shall be charged to the Bondholders, Couponholders or Receiptholders (if any) in respect of such payments.

Payments of principal (or Redemption Amounts) and interest (or Interest Amounts) in respect of the Bearer Bonds when represented by a Global Bond or Registered Global Bond will be made against presentation and surrender or, as the case may be, presentation of the Global Bond or Registered Global Bond at the specified office of the Principal Paying Agent or the Registrar, as the case may be, subject in all cases to any fiscal or other laws, regulations and directives applicable in the place of payment to the Issuer, the Principal Paying Agent, the Registrar or the holder. A record of each payment so made will be endorsed on the schedule to the Global Bond or the Registered Global Bond by or on behalf of the Principal Paying Agent or Registrar, as the case may be, which endorsement shall be prima facie evidence that such payment has been made.

The holder of a Global Bond or Registered Global Bond shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Bond or Registered Global Bond (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Bond or Registered Global Bond in respect of each amount paid.

(d) Appointment of the Agents

The Paying Agents, the Agent Bank, the Transfer Agents and the Registrar (the "**Agents**") appointed by the Issuer (and their respective specified offices are listed in the Paying Agency Agreement) or as otherwise appointed pursuant to the Paying Agency Agreement are specified in the relevant Final Terms. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right, with the prior written consent of the Bond Trustee, at any time to vary or terminate the appointment of any Agent, and to appoint additional or other Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent, (ii) a Paying Agent in Luxembourg (so long as any Bonds remain listed on the Luxembourg Stock Exchange) and (iii) (while any Registered Bonds remain outstanding) a Transfer Agent in Luxembourg (so long as any Bonds remain listed on the Luxembourg Stock Exchange) and a Registrar, each having a specified office in a European city which, if the Bonds are admitted to listing on a listing authority, stock exchange and/or quotation system and such listing authority, stock exchange and/or quotation system require the appointment of a Paying Agent in a particular place, shall be such place.

(e) Unmatured Coupons and Receipts and unexchanged Talons

(i) Subject to the provisions of the relevant Final Terms, upon the due date for redemption of any Bond which is a Bearer Bond, unmatured Coupons and Receipts relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them.

(ii) Upon the date for redemption of any Bond, any unmatured Talon relating to such Bond (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iii) Upon the due date for redemption of any Bond which is redeemable in instalments, all Receipts relating to such Bond having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(iv) Where any Bond, which is a Bearer Bond, is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Bond is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Bond is not a due date for payment of interest or an Interest Amount, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date

for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Bond and Coupon.

(f) Non-Business Days

Subject as provided in the relevant Final Terms, if any date for payment in respect of any Bond, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in London and in the relevant place of presentation and in the other cities referred to in the definition of Business Days and specified as "Relevant Financial Centres" in the relevant Final Terms and (in the case of a payment in a currency other than euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency or (in the case of a payment in euro) which is a TARGET Settlement Day.

(g) Talons

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Bond, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 13).

10 Taxation

All payments in respect of the Bonds, Receipts or Coupons will be made (whether by the Issuer, any Paying Agent, the Registrar, the Bond Trustee, the Issuer Security Trustee or the relevant Financial Guarantor, in respect of Class A Bonds) without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer, any Paying Agent or the Registrar or, where applicable, the Bond Trustee, the Issuer Security Trustee or the relevant Financial Guarantor is required by applicable law to make any payment in respect of the Bonds, Receipts or Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer, such Paying Agent, the Registrar, the Bond Trustee, the Issuer Security Trustee or the relevant Financial Guarantor, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, any Paying Agent, the Registrar, the Bond Trustee, the Issuer Security Trustee or the relevant Financial Guarantor will be obliged to make any additional payments to the Bondholders, Receiptholders or the Couponholders in respect of such withholding or deduction. The Issuer, any Paying Agent, the Registrar, the Bond Trustee or the relevant Financial Guarantor may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

Notwithstanding any other provision of the Terms and Conditions, any amounts to be paid on the Bonds by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

11 Events of Default and Enforcement

(a) Issuer Events of Default

If an Issuer Event of Default (as defined below) occurs and is continuing, then, subject always to the terms of the Issuer STID, the Bond Trustee may at any time and shall (subject, in the case of any of the events referred to in paragraph (ii) below, to the Bond Trustee (in accordance with the provisions of the Trust Deed and the Issuer STID) having certified in writing that in its opinion the happening of such event is materially prejudicial to the Bondholders), upon the Bond Trustee being (i) so requested in writing by holders of at least one quarter in Principal Amount Outstanding of the Most Senior Class of Bonds (as defined below) then outstanding or if so directed by an Extraordinary Resolution (as defined below) of the Most Senior Class of Bonds then outstanding; and (ii) indemnified and/or secured to its satisfaction, subject to the directions of the Issuer Instructing Group, give notice to the Issuer and the Issuer Security Trustee that the Bonds of all Sub-Classes of every Class and Series are, and they shall immediately become, due and repayable, at their respective Redemption Amounts.

Each of the following will constitute an "**Issuer Event of Default**" under the Bonds:

(i) if default is made in the payment of any sum due in respect of the Bonds (or any Sub-Class of them); or

(ii) if the Issuer fails to perform or observe any of its obligations (other than payment obligations referred to in (i) above) under the Bonds (including these Conditions) and, if the Bond Trustee considers that such default can be remedied, such failure continues for a period of 30 days (or such longer period as the Bond Trustee may permit) following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) if any order is made by any competent court or any resolution passed for the winding up or dissolution of the Issuer or an order is made for the Issuer's bankruptcy (or any analogous proceedings) save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms approved by the Bond Trustee or as otherwise permitted pursuant to these Conditions; or

(iv) if (1) any other proceedings are initiated against the Issuer under any applicable liquidation, bankruptcy, insolvency, composition, reorganisation, readjustment or other similar laws and such proceedings are not being disputed in good faith, or (2) an administrative receiver or other receiver, administrator or other similar official is appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or (3) an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of the Issuer or (4) a distress or execution or other process is levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and in any of the foregoing cases (other than in relation to the circumstances described in (2) where no grace period shall apply) such order, appointment, possession or process (as the case may be) is not discharged or stayed or does not cease to apply within 14 days; or

(v) if the Issuer initiates or consents to judicial proceedings relating to itself (except in accordance with paragraph (iii) above) under any applicable liquidation, bankruptcy, insolvency, composition, reorganisation, readjustment or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally; or

(vi) if the Issuer becomes insolvent or is adjudicated or found bankrupt; or

(vii) any acceleration under any Intercompany Loan Agreement.

"**Most Senior Class of Bonds**" means (i) the Class A Bonds, Class B Bonds and Class R Bonds outstanding acting together in a single meeting whether by means of an Extraordinary Resolution or a

request of at least one quarter of Principal Amount Outstanding of the holders thereof or (ii) if no Class A Bonds, Class B Bonds or Class R Bonds are outstanding, the outstanding Class C Bonds acting together in a single meeting whether by means of an Extraordinary Resolution or a request of Principal Amount Outstanding of at least one quarter of the holders thereof or (iii) if no Class A Bonds, Class B Bonds, Class R Bonds or Class C Bonds are outstanding, the outstanding Class D Bonds acting together in a single meeting whether by means of an Extraordinary Resolution or a request of Principal Amount Outstanding of at least one quarter of the holders thereof.

(b) Confirmation of No Issuer Event of Default

The Issuer shall provide written confirmation to the Bond Trustee, on an annual basis, that no Issuer Event of Default or other matter which is required to be brought to the Bond Trustee's attention has occurred.

(c) Enforcement of security

If the Bond Trustee gives written notice to the Issuer and the Issuer Security Trustee that the Bonds of all Sub-Classes of each Series are immediately due and repayable, the Issuer Security Trustee, acting on the instructions of the Issuer Instructing Group, shall enforce the Issuer Security as specified in Condition 4(d).

The Bond Trustee will not have any rights to call for repayment of the Bonds following the occurrence of an Issuer Event of Default except as provided in Condition 11(a) and the Issuer STID and enforcement of the Issuer Security by the Issuer Security Trustee will be subject to the provisions of the Issuer STID.

(d) Automatic Acceleration

In the event of (i) the acceleration of any of the Issuer's other obligations under the Issuer Transaction Documents and/or (ii) the acceleration of any DCC Secured Liabilities (as defined in the DCC STID), the Bonds of all Sub-Classes of every Class and Series are, and they shall immediately become, due and repayable, at their respective Principal Amounts Outstanding plus accrued and unpaid interest thereon.

12 Recourse Against Issuer

No Bondholder is entitled to take any action against the Issuer or, in the case of Class A Bondholders, against any Financial Guarantor or against any assets of the Issuer or any Financial Guarantor to enforce its rights in respect of the Bonds or to enforce any of the Issuer Security or to enforce any Financial Guarantee unless the Bond Trustee or the Issuer Security Trustee (as applicable), having become bound so to proceed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing. The Issuer Security Trustee will act on the instructions of the Issuer Instructing Group pursuant to the Issuer STID and neither the Bond Trustee nor the Issuer Security Trustee shall be bound to take any such action unless it is indemnified and/or secured to its satisfaction.

Neither the Bond Trustee nor the Bondholders may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver and manager pursuant to the terms of the Issuer Deed of Charge and subject to the Issuer STID) or other proceeding under any similar law for so long as any Bonds are outstanding or for two years and a day after the latest Maturity Date on which any Bond of any Series is due to mature.

13 Prescription

Claims against the Issuer for payment in respect of the Bonds, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of

principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 6(i)) in respect thereof.

14 Replacement of Bonds, Coupons, Receipts and Talons

If any Bearer Bond, Registered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and stock exchange requirements, at the specified office of the Principal Paying Agent or, as the case may be, the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15 Meetings of Bondholders, Modification, Waiver, Authorisation and Substitution

(a) Meetings of Bondholders, Modifications and Waiver

The Trust Deed contains provisions for convening meetings of Bondholders of a Sub-Class, Class or Classes to consider matters affecting their interests, including the modification of these Conditions, the Trust Deed and (in the case of Class A Bonds) the Financial Guarantees and any other Issuer Transaction Document to which the Bond Trustee is party. Any modification may (except in relation to any Entrenched Right or Reserved Matter of the Bond Trustee, subject, in the case of any of the Class A Bonds, to Entrenched Rights or Reserved Matters of any Financial Guarantor and subject to the provisions concerning ratification and/or meetings of particular combinations of Sub-Classes of Bonds as set out in Condition 15(b) and the Trust Deed, be made if sanctioned by a resolution passed at a meeting of such Bondholders duly convened and held in accordance with the Trust Deed by a majority of not less than three quarters of the votes cast (an "**Extraordinary Resolution**") of such Bondholders. Such a meeting may be convened by the Bond Trustee or the Issuer, or by the Bond Trustee upon the request in writing of the relevant Bondholders holding not less than one tenth of the aggregate Principal Amount Outstanding of the relevant outstanding Bonds.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant outstanding Bonds or, at any adjourned meeting, two or more persons being or representing Bondholders, whatever the Principal Amount Outstanding of the relevant outstanding Bonds held or represented, provided however, that certain proposals (the "**Basic Terms Modifications**") in respect of the holders of any particular Sub-Class of Bonds means any proposal:

(i) to change any date fixed for payment of principal or interest in respect of such Sub-Class of Bonds, to reduce the amount of principal or interest payable on any date in respect of such Sub-Class of Bonds or (other than as specified in Conditions 7 and 8) to alter the method of calculating the amount of any payment in respect of such Sub-Class of Bonds on redemption or maturity;

(ii) other than pursuant to Condition 15(c), to effect the exchange, conversion or substitution of such Sub-Class of Bonds for, or the conversion of them into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;

(iii) to change the currency in which amounts due in respect of such Sub-Class of Bonds are payable other than pursuant to redenomination into euro pursuant to Condition 19;

(iv) to alter the Payments Priorities (as defined in the Master Framework Agreement) insofar as such alteration would affect such Sub-Class of Bonds;

(v) to alter the priority of redemption of such Sub-Class of Bonds;

(vi) in relation to any Sub-Class of Class A Bonds, to approve the release of the relevant Financial Guarantee or the substitution of the relevant Financial Guarantor;

(vii) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution; or

(viii) to amend this definition or this Condition,

may be sanctioned only by an Extraordinary Resolution passed at a meeting of Bondholders of the relevant Sub-Class or Sub-Classes of Bonds at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate Principal Amount Outstanding of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the relevant Bondholders, Receiptholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of all Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

A meeting of such Bondholders will also have the power (exercisable by Extraordinary Resolution) to advise or instruct the Bond Trustee in connection with the exercise by the Bond Trustee of any of its rights, powers and discretions under the Issuer Transaction Documents including, to appoint any persons (whether Bondholders or not) as a committee to represent the interests of such Bondholders and to confer upon such committee any powers which such Bondholders could themselves exercise by Extraordinary Resolution and, where requested by the Bond Trustee, in relation to voting on Intercreditor Issues (as defined in Condition 15(d)) and in respect of the Reserved Matters and Entrenched Rights of the Bond Trustee.

(b) Relationship between Classes

In relation to each Sub-Class of Bonds:

(i) no Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one Sub-Class of Bonds shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Sub-Classes of Bonds (to the extent that there are Bonds outstanding in each such other Sub-Class); and

(ii) no Extraordinary Resolution (except in relation to an Intercreditor Issue or a vote under Condition 11(a)) to approve any matter other than a Basic Terms Modification of any Sub-Class of Bonds shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Sub-Classes of Bonds ranking equally or senior to such Sub-Class (to the extent that there are Bonds outstanding ranking equally or senior to such Sub-Class), and for the avoidance of doubt as regards ranking, Class A Bonds, Class B Bonds and Class R Bonds will be considered to rank equally with each other, Class C Bonds are subordinate to the Class A Bonds, Class B Bonds and Class R Bonds and Class D Bonds are subordinate to the Class A Bonds, Class B Bonds, Class R Bonds and Class C Bonds;

provided that, in relation to a meeting of the holders of a Sub-Class of Bonds to sanction the Extraordinary Resolutions referred to in (i) and (ii) above, (1) the quorum for any such meeting shall be two or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant outstanding Bonds and (2) if the holders of any relevant Sub-Class of Bonds, having been invited to sanction a proposed Extraordinary Resolution, fail for want of quorum to pass or reject an Extraordinary Resolution sanctioning the proposed Extraordinary Resolution, such holders will be taken to have sanctioned the proposed matter. Conditions 15(a) and (b) in respect of meetings are subject to the further provisions of the Trust Deed.

(c) Modification, waiver and substitution

As more fully set out in the Trust Deed (and subject to the conditions and qualifications therein), the Bond Trustee may, without the consent of the Bondholders of any Sub-Class, concur with the Issuer or any other relevant parties in making (i) any modification of these Conditions, the Trust Deed, any Financial Guarantee or any Issuer Transaction Document which is of a formal, minor or technical nature or is made to correct a manifest error and (except as mentioned in the Trust Deed) (ii) any other modification and any waiver or authorisation of any breach or proposed breach of these Conditions, the Trust Deed, such Financial Guarantee or any such Issuer Transaction Document or other document which is in the opinion of the Bond Trustee not materially prejudicial to the interests of the Bondholders of that Sub-Class. Any such modification, waiver or authorisation shall be binding on the Bondholders of that Sub-Class, Class or Classes and the holders of all relevant Receipts and Coupons and, if the Bond Trustee so requires, notice thereof shall be given by the Issuer to the Bondholders of that Sub-Class, Class or Classes as soon as practicable thereafter.

The Bond Trustee shall be entitled to assume that any such modification, waiver or authorisation is not materially prejudicial to the Bondholders if the Rating Agencies confirm that there will not be any adverse effect thereof on the original issue ratings of the Bonds.

As more fully set forth in the Issuer STID (and subject to the conditions and qualifications therein), the Bond Trustee may also agree with the Issuer, subject to the directions of the Issuer Instructing Group but without the consent of the relevant Bondholders of any Sub-Class, to the substitution of another corporation in place of the Issuer as principal debtor in respect of the Trust Deed and the Bonds of all Series and subject to the Class A Bonds continuing to carry the unconditional guarantee of the relevant Financial Guarantor.

(d) Voting by the Bondholders on Intercreditor Issues

In certain limited circumstances (as set out in the Issuer STID) the Bond Trustee shall be entitled to vote as the representative of Bondholders on intercreditor issues ("**Intercreditor Issues**"). The Bond Trustee shall vote on Intercreditor Issues (except in relation to any Basic Terms Modification) only in accordance with a direction by those holders of outstanding Bonds which constitute Qualifying Debt acting together whether by means of an Extraordinary Resolution or a request of at least one quarter of Principal Amount Outstanding of the holders thereof and shall not be obliged to vote unless it has been indemnified and/or secured to its satisfaction.

In accordance with the terms of the Issuer STID, if the Bond Trustee receives a Confirmation of Instruction (as defined in the Issuer STID) at any time before the date of a Bondholder meeting convened pursuant to this Condition 15(d) and the Trust Deed, it shall as soon as practicable notify the Bondholders that such meeting shall be cancelled and shall not be liable to any person for so doing.

16 Trustee Protections

(a) Trustee considerations

Subject to Condition 16(b), in connection with the exercise, under these Conditions, the Trust Deed, any Financial Guarantee or any Issuer Transaction Document, of its rights, powers, trusts, authorities and discretions (including, any modification, waiver, authorisation, determination or substitution), the Bond Trustee shall have regard to the interests of the holders of the Most Senior Class of Bonds then outstanding provided that, if the Bond Trustee considers, in its sole opinion, that there is a conflict of interest between the holders of one or more Sub-Classes of such Bonds, it shall consider the interests of the holders of the Sub-Class of the Most Senior Class of Bonds outstanding with the shortest dated maturity and will not have regard to the consequences of such exercise for the holders of other Classes or Sub-Classes of Bonds or for individual Bondholders, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular

territory. The Bond Trustee shall not be entitled to require from the Issuer or any Financial Guarantor, nor shall any Bondholders relating thereto be entitled to claim from the Issuer, any Financial Guarantor or the Bond Trustee, any indemnification or other payment in respect of any consequence (including, any tax consequence) for individual Bondholders relating thereto of any such exercise.

(b) Exercise of rights

Except as otherwise provided in these Conditions and the Trust Deed, when exercising any rights, powers, trusts, authorities and discretions relating to or contained in the Conditions or the Trust Deed (other than in respect of any Entrenched Right or Reserved Matter or Basic Terms Modification, or in determining the occurrence of an Entrenched Right or Reserved Matter or Basic Terms Modification) which affects or relates to any Class A Bonds, the Bond Trustee shall only act with the consent of the relevant Financial Guarantor(s) in accordance with the provisions of the Issuer STID and the Bond Trustee shall not be required to have regard to the interests of the Bondholders in relation to the exercise of such rights, powers, trusts, authorities and discretions and shall have no liability to any Bondholders as a consequence of so acting. As a consequence of being required to act only with the consent of the relevant Financial Guarantor(s) in the circumstances referred to in the previous sentence, the Bond Trustee may not, notwithstanding the provisions of these Conditions, be entitled to act on behalf of the holders of any Sub-Class of Bonds. Subject as provided in these Conditions and the Trust Deed, the Bond Trustee will exercise its rights under, or in relation to, the Trust Deed, the Conditions or any Financial Guarantee in accordance with the directions of the relevant Bondholders, but the Bond Trustee shall not be bound as against the Bondholders to take any such action unless it has (i) (a) (in respect of the matters set out in Condition 11 only) been so requested in writing by the holders of at least 25 per cent. of the Outstanding Principal Amount of the relevant outstanding Bonds or (b) been so directed by an Extraordinary Resolution and (ii) been indemnified or furnished with security to its satisfaction.

17 Notices

Notices required to be given to holders of Registered Bonds pursuant to these Conditions will be posted to them at their respective addresses in the Register and deemed to have been given on the date of posting. Other notices required to be given to Bondholders pursuant to these Conditions will be valid if published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times and, if the Bonds are listed on the Luxembourg Stock Exchange published either on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*)). In addition, all notices required to be given to holders of Bonds pursuant to these Conditions (whether Bearer or Registered and whether Global Bonds or Definitive Bonds) will be published (if such publication is required) in such newspaper in Luxembourg. The Issuer shall also ensure that all notices required to be given to holders of the Bonds pursuant to the Conditions are duly published in a manner which complies with the rules and regulations of any other listing authority, stock exchange and/or quotation system on which the Bonds are for the time being listed and/or admitted to trading. Any such notice (other than to holders of Registered Bonds as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Bonds in accordance with this Condition 17.

So long as any Bonds are represented by Global Bonds notices in respect of those Bonds may be given by delivery of the relevant notice to Euroclear Bank SA/NV, or Clearstream Banking, SA or any other Relevant Clearing System as specified in the relevant Final Terms for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in London. Such notices shall be deemed to have been received by the Bondholders 7 days after delivery to such clearing systems.

18 Indemnification of the Bond Trustee and Issuer Security Trustee

The Trust Deed and the Issuer STID contain provisions for indemnification of the Bond Trustee and the Issuer Security Trustee, respectively, and for their relief from responsibility, including provisions relieving them from taking any action including taking proceedings against the Issuer, any Financial Guarantor, and/or any other person or enforcing the Issuer Security unless indemnified and/or secured to their satisfaction. The Bond Trustee, the Issuer Security Trustee or any of their affiliates are entitled to enter into business transactions with the Issuer, any Financial Guarantor, the other Issuer Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom.

The Bond Trustee and the Issuer Security Trustee, in the absence of gross negligence or wilful default are exempted from any liability in respect of any loss, diminution in value or theft of all or any part of the Issuer Security, from any obligation to insure all or any part of the Issuer Security (including, in either such case, any documents evidencing, constituting or representing the same or transferring any rights, benefits and/or obligations thereunder) or to procure the same to be insured or monitoring the adequacy of any insurance arrangements.

19 Miscellaneous

(a) Governing Law

The Trust Deed, the Issuer Deed of Charge, the Issuer STID, the Bonds, the Coupons, the Receipts, the Talons (if any), the relevant Financial Guarantee (if any) and the other Issuer Transaction Documents and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with the laws of England and Wales.

(b) Third Party Rights

No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the UK Contracts (Rights of Third Parties) Act 1999.

FORMS OF THE BONDS

Form and Exchange – Bearer Bonds

Each Sub-Class of Bonds initially issued in bearer form will be issued either as a temporary global bond (the "**Temporary Global Bond**"), without Coupons, Receipts or Talons attached, or a permanent global bond (the "**Permanent Global Bond**"), without interest Coupons, Receipts or Talons attached, in each case as specified in the relevant Final Terms.Each Temporary Global Bond or, as the case may be, Permanent Global Bond (each a "**Global Bond**") will be delivered prior to the Issue Date of the relevant Sub-Class of the Bonds to a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

The relevant Final Terms will also specify whether U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S Internal Revenue Code of 1986, as amended (the "**Code**") (the "**TEFRA C Rules**") or U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**TEFRA D Rules**") are applicable in relation to the Bonds.

Temporary Global Bond exchangeable for Permanent Global Bond

If the relevant Final Terms specify the form of Bonds as being represented by "Temporary Global Bond exchangeable for a Permanent Global Bond", then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for interests in a Permanent Global Bond, without Coupons, Receipts or Talons attached, not earlier than 40 days after the Issue Date of the relevant Sub-Class of the Bonds upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, payments of principal and interest in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Bond is to be exchanged for an interest in a Permanent Global Bond, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Bond, duly authenticated, to the bearer of the Temporary Global Bond or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Bond in accordance with its terms against:

- presentation and (in the case of final exchange) surrender of the Temporary Global Bond at the Specified Office (as defined in the Paying Agency Agreement) of the Paying Agent; and
- receipt by the Paying Agent of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

The principal amount of the Permanent Global Bond shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Bond exceed the aggregate initial principal amount of the Temporary Global Bond and any Temporary Global Bond representing a fungible Sub-Class of Bonds with the Sub-Class of Bonds represented by the first Temporary Global Bond.

The Permanent Global Bond will be exchangeable in whole, but not in part, at the request of the bearer of the Permanent Global Bond for Bonds in definitive form ("**Definitive Bonds**"):

- at any time, if so specified in the relevant Final Terms; or
- if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Bond", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or

announces an intention permanently to cease business or (b) any of the circumstances described in Condition 11(a) (*Issuer Events of Default*) occurs.

If a Permanent Global Bond is exchangeable for Definitive Bonds at the option of the Bondholders or Issuer other than in the limited circumstances described in the Permanent Global Bond, the Bonds shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination the lowest Specified Denomination).

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the Specified Office of the Paying Agent not earlier than 40 days after the Issue Date of such Bonds.

Each Temporary Global Bond that is specified in the Final Terms as being exchangeable for Registered Bonds in accordance with the Conditions in addition to any Permanent Global Bond for which it may be exchangeable and, before the first day following the expiry of 40 days after the issue date of the relevant Sub-Class of the Bonds (the "**Exchange Date**"), will also be exchangeable in whole or in part for Registered Bonds only.

Temporary Global Bond exchangeable for Definitive Bonds

If the relevant Final Terms specify the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bonds" and also specifies that the TEFRA C Rules are applicable nor that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole but not in part, for Bonds in definitive form ("**Definitive Bonds**") not earlier than 40 days after the issue date of the relevant Sub-Class of the Bonds.

If the relevant Final Terms specify the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bonds" and also specifies that the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for Definitive Bonds not earlier than 40 days after the issue date of the relevant Sub-Class of the Bonds upon certification as to non-U.S. beneficial ownership. Principal and interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Bond so exchanged to the bearer of the Temporary Global Bond against the presentation (and in the case of final exchange, surrender) of the Temporary Global Bond at the Specified Office of the Paying Agent not earlier than 40 days after the Issue Date of such Bonds.

Each Temporary Global Bond that is specified in the Final Terms as being exchangeable for Registered Bonds in accordance with the Conditions in addition to any Definitive Bonds for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Bonds only.

Permanent Global Bond exchangeable for Definitive Bonds

If the relevant Final Terms specify the form of Bonds as being "Permanent Global Bond exchangeable for Definitive Bonds", then the Bonds will initially be in the form of a Permanent Global Bond which will be exchangeable in whole, but not in part, for Definitive Bonds:

- at any time, if so specified in the relevant Final Terms; or
- if the relevant Final Terms specify "in the limited circumstances described in the Permanent Global Bond", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is

closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 11(a) (*Issuer Events of Default*) occurs.

If a Permanent Global Bond is exchangeable for Definitive Bonds at the option of the Bondholders or Issuer other than in the limited circumstances described in the Permanent Global Bond, the Bonds shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Coupons, Receipts and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the Specified Office of the Paying Agent within 60 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

In the event that a Global Bond is exchanged for Definitive Bonds, such Definitive Bonds shall be issued in Specified Denomination(s) only.

Each Permanent Global Bond that is specified in the Final Terms as being exchangeable for Registered Bonds in accordance with the Conditions in addition to any Definitive Bonds for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Bonds only.

Conditions applicable to the Bonds

The Conditions applicable to any Definitive Bond will be endorsed on that Bond and will consist of the Conditions set out under "*Terms and Conditions of the Bonds*" above and the provisions of the relevant Final Terms which supplement, amend, vary and/or replace those Conditions.

The Conditions applicable to any Global Bond will differ from those Conditions which would apply to the Definitive Bond to the extent described under "*Provisions Relating to the Global Bonds*".

Legend concerning United States persons

Global Bonds (other than Temporary Global Bonds) and Definitive Bonds and any Coupons, Receipts and Talons appertaining thereto will bear a legend to the following effect where TEFRA D is specified in the relevant Final Terms or Drawdown Prospectus:

> "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Bond, Coupon, Receipt or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bond, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

Form and Exchange – Global Bond Certificates

The following description is in respect of registered bonds issued under the Programme that are offered outside the United States in accordance with Regulation S of the Securities Act.

Global Certificates

Registered Bonds held in Euroclear and/or Clearstream, Luxembourg and/or any other clearing system will be represented by a Global Bond Certificate which will be registered in the name of a nominee for, and deposited with, a depositary for Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system. These provisions will not prevent the trading of interest in the Bonds within a clearing system whilst they are

held on behalf of such clearing system, but will limit the circumstances in which the Bonds may be withdrawn from the relevant clearing system.

The Global Bond Certificate will become exchangeable in whole, but not in part, for Individual Bond Certificates if (a) the Bonds represented by the Global Bond Certificate are held on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reasons of holidays, statutory or otherwise) or announces an intention permanently to cease business, or in fact does so or (b) any of the circumstances described in Condition 11(a) (*Issuer Events of Default*) occurs.

Whenever the Global Bond Certificate is to be exchanged for Individual Bond Certificates, such will be issued in an aggregate principal amount equal to the principal amount of the Global Bond Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Bond Certificate, Euroclear and/or Clearstream, Luxembourg to the Registrar or the Transfer Agents (as the case may be) of such information as is required to complete and deliver such Individual Bond Certificates (including the names and addresses of the persons in whose names the Individual Bond Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Bond Certificate at the specified office of the Registrar or the Transfer Agent (as the case may be). Such exchange will be effected in accordance with the provisions of the Paying Agency Agreement and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar or the Transfer Agents (as the case may be) may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Rights against Issuer

Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to interests in the Bonds will (subject to the terms of the Trust Deed and the Issuer STID) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Bond or Global Bond Certificate became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system (as the case may be).

PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

Clearing System Accountholders

References in the Conditions of the Bonds to "**Bondholder**" are (other than in the case of payment) references to the person shown in the records of the relevant clearing system as the holder of the Global Bond or Global Bond Certificate.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, as being entitled to an interest in a Global Bond or a Global Bond Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer or, in the case of Class A Bonds, the relevant Financial Guarantor, to such Accountholder and in relation to all other rights arising under the Global Bond or Global Bond Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Bond or Global Bond Certificate will be determined by the respective rules and procedures of Euroclear, Clearstream, Luxembourg and any other relevant clearing system (as the case may be) from time to time. For so long as the relevant Bonds are represented by a Global Bond or Global Bond Certificate, Accountholders shall have no claim directly against the Issuer or, in the case of Class A Bonds, the relevant Financial Guarantor in respect of payments due under the Bonds and such obligations of the Issuer and, in the case of Class A Bonds, the relevant Financial Guarantor will be discharged by payment to the bearer of the Global Bond or the registered holder of the Global Bond Certificate, as the case may be.

So long as the Bonds are represented by a temporary Global Bond, permanent Global Bond or Global Certificate and the relevant clearing system(s) so permit, the Bonds shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) and multiples thereof provided in the relevant Final Terms.

Amendment to Conditions

Global Bonds will contain provisions that apply to the Bonds which they represent, some of which modify the effect of the Conditions of the Bonds as set out in this Prospectus. The following is a summary of certain of those provisions:

- *Payments*: For the purpose of any payments made in respect of a Global Bond, the relevant place of presentation shall be disregarded in the definition of "**business day**" set out in Condition 9(g) (*Non-Business Days*). All payments in respect of Bonds represented by a Global Bond Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

- *Meetings:* The holder of a Global Bond or Global Bond Certificate shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, the holder of a Global Bond or Global Bond Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Bonds.

- *Cancellation:* Cancellation of any Bond represented by a Global Bond or Global Bond Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Bond or Global Bond Certificate.

- *Notices:* So long as any Bonds are represented by a Global Bond or Global Bond Certificate and such Global Bond or Global Bond Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or

any other relevant Clearing System, notices to the Bondholders may be given, subject always to listing requirements, by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or any other relevant Clearing System for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions provided that, in any case, so long as the Bonds are listed on the Luxembourg Stock Exchange's regulated market and the rules of that exchange so require, all such notices shall be published on either the website of the Luxembourg Stock (www.bourse.lu) or in a leading daily newspaper having general circulation in Luxembourg in accordance with Condition 17.

Electronic Consent and Written Resolution

While any Global Bond is held on behalf of, or any Global Bond Certificate is registered in the name of any nominee for, a clearing system, then:

(i) approval of a resolution proposed by the Issuer or the Bond Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 100 per cent. of the Principal Amount Outstanding of the Bonds of the relevant Sub-Class or Sub-Classes (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the quorum required for an Extraordinary Resolution relating to a Basic Term Modification was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held, and shall be binding on all Bondholders and holders of Coupons, Talons and Receipts whether or not they participated in such Electronic Consent; and

(ii) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Bond Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Bond Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Bond or Global Bond Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Bond Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system")** and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Bondholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Bonds is clearly identified together with the amount of such holding. Neither the Issuer nor the Bond Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

PRO FORMA FINAL TERMS

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

MIFID II Product Governance – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MIFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MIFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

[In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and are [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.]

Final Terms dated [●]

Dŵr Cymru (Financing) UK Plc

Legal Entity Identifier: 213800GDOFO2ED5PNC85

Issue of [Sub-Class [●] (delete as appropriate)] [Aggregate Nominal Amount of Sub-Class]
[Title of Bonds]

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 11 November 2019 [and the Supplement to the Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with such Prospectus [as so supplemented] in order to obtain all the relevant information. The Prospectus [and the Supplement to the Base Prospectus] [has] [have] been published on the website of the Luxembourg Stock Exchange www.bourse.lu [and [is] [are] available for viewing during normal business hours at Pentwyn Road, Nelson, Treharris, Mid Glamorgan CF46 6LY, Wales, United Kingdom [and copies may be obtained from Pentwyn Road, Nelson, Treharris, Mid Glamorgan CF46 6LY, Wales, United Kingdom].

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Prospectus dated [original date] [and the supplement(s) to it dated [●]] which are incorporated by reference in the Prospectus dated [current date]. This document constitutes the Final Terms of the Bonds described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Prospectus dated 11 November 2019 [and the supplements to it dated [●], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation in order to obtain all relevant information, save in respect of the Conditions which are extracted from the Prospectus dated [original date][and the supplement(s) to it dated [●]]. The Prospectus [and the supplements to it] [has] [have] been published on the website of the Luxembourg Stock Exchange www.bourse.lu [and [is] [are] available for viewing during normal business hours at Pentwyn Road, Nelson, Treharris, Mid Glamorgan CF46 6LY, Wales, United Kingdom [and copies may be obtained from Pentwyn Road, Nelson, Treharris, Mid Glamorgan CF46 6LY, Wales, United Kingdom].

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.][*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.*]

1	(i)	Series Number:	[●]
	(ii)	Sub-Class Number:	[●]
	(iii)	Date on which the Bonds become fungible	[Not Applicable/The Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of the Series*] on [*insert date*/the Issue Date/exchange of the Temporary Global Bond for interests in the Permanent Global Bond, as referred to in paragraph 21 below [which is expected to occur on or about [*insert date*]]].]
2	Relevant Currency:		[●]
3	Aggregate Nominal Amount:		
	(i)	Series:	[●]
	(ii)	Sub-Class:	[●]
4	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [*plus accrued interest from [insert date*]] (*in the case of fungible issues only, if applicable*)]
	(ii)	Net proceeds:	[●]
5	(i)	Specified Denominations:	[€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Bonds in definitive form will be issued with a denomination above [€199,000]]/[*minimum denomination of any other currency must be equivalent to at least €100,000 as at the Issue Date of the Bonds*]
	(ii)	Calculation Amount	[●]
6	(i)	Issue Date:	[●]

	(ii) Interest Commencement Date (if different from the Issue Date):	[●]
7	Maturity Date:	[*specify date or (for Floating Rate Bonds) Interest Payment Date falling in or nearest to the relevant month and year*]
8	Interest Basis:	[Fixed Rate/Floating Rate/Indexed]
9	Redemption/Payment Basis:	[Redemption at par] [Indexed Linked Redemption] [Instalments]
10	Change of Interest or Redemption/Payment Basis:	[*Specify the date when any fixed to floating rate change occurs or refer to paragraph 14 and 15 below and identify there*/Not Applicable]
11	Put/Call Options:	Call option – see below
12	Status:	Class [B/C/D/R]
13	[Date [Board] approval for issuance of Bonds obtained:	[[●] and [●] respectively]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Bond Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Rate:	[●] per cent. per annum [payable [annually / semi-annually / quarterly / monthly] in arrear on each Interest Payment Date]
	(ii) Interest Payment Date(s):	[●] in each year
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual or Actual/ Actual - ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)]
	(vi) [Determination Dates:	[●] in each year (*insert regular interest payment dates. Ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
	(vii) Benchmark Gilt:	[●]
15	Floating Rate Bond Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Payment Date(s):	[●]
	(ii) First Interest Payment Date:	[●]
	(iii) Business Day Convention:	[Following Business Day Convention/ Modified

			Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
	(iv)	Manner in which the Interest Rate(s) is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(v)	Party responsible for calculating the Interest Rate(s) and Interest Amount(s) (if not the Agent Bank):	[●]
	(vi)	Screen Rate Determination:	
		– Reference Rate:	[●] month [LIBOR/EURIBOR/SONIA]
		– Interest Determination Date(s):	[●]
		– Relevant Screen Page:	[●]
		– Reference Look-Back Period	
	(vii)	ISDA Determination:	
		– Floating Rate Option:	[●]
		– Designated Maturity:	[●]
		– Reset Date:	[●]
		– ISDA Benchmarks Supplement:	[Applicable]/[Not Applicable]
	(viii)	Margin(s):	[+/-][●] per cent. per annum
	(ix)	Minimum Interest Rate:	[[●] per cent. per annum]/[Not Applicable]
	(x)	Maximum Interest Rate:	[[●] per cent. per annum]/[Not Applicable]
	(xi)	Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual or Actual/ Actual - ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/ 360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)]
	(xii)	Additional Business Centre(s):	[●]
	(xiii)	Reference Banks	[[●]/Not Applicable]
16	Indexed Bond Provisions:		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i)	Index/Formula:	[UK Retail Price Index] / [CPI] / [CPIH]
	(ii)	Index Figure applicable:	As determined in accordance with Condition 7(a)[; 3 months lag applies]
	(iii)	Interest Rate:	[●] per cent. (as adjusted for indexation in accordance with Condition 7(*Indexation*))
	(iv)	Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent	[●]

	Bank):	
	(v) Interest Determination Date	[●]
	(vi) Interest Payment Dates:	[●]
	(vii) First Interest Payment Date:	[●]
	(viii) Business Day Convention:	[Following Business Day/Modified Following Business Day /Preceding Business Day/other [Not Applicable]
	(ix) Minimum Indexation Factor:	[Not Applicable/[●]]
	(x) Maximum Indexation Factor:	[Not Applicable/[●]]
	(xi) Limited Indexation Months(s):	[●]
	(xii) Base Index Figure:	[●]
	(xiii) Reference Gilt:	[●]
	(xiv) Day Count Fraction:	[Actual/Actual (ICMA)] [Actual/Actual or Actual/ Actual - ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/ 360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)]
	(xv) [Determination Dates:	[●]]
	(xvi) Additional Business Centre(s):	[●]

PROVISIONS RELATING TO REDEMPTION

17	Call Option:	Applicable – Condition 8 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional redemption date(s):	Yes. [In the case of Floating Rate Bonds, not before [●] and at a premium of [●], if any.]
	(ii) Redemption Amount(s) and method, if any, of calculation of such amount(s):	[Calculated in accordance with Condition 8(b)/[●] per Calculation Amount]
18	Final Redemption Amount:	[[●] per Calculation Amount/As determined in accordance with the Conditions]
19	Reference Gilt:	[Not Applicable/[●]]
20	Applicable Uplift:	[Not Applicable/[●] basis points]

GENERAL PROVISIONS APPLICABLE TO THE BONDS

21	Form of Bonds:	[Bearer Bonds/Registered Bonds]
	(i) If Bearer Bonds:	[Temporary Global Bond exchangeable for a Permanent Global Bond, on or after the first day following the expiry of 40 days following the Issue Date, which is exchangeable for Definitive Bonds [/Registered Bond Certificates] at any time/in the limited circumstances specified in the Permanent Global Bond.] [Temporary Global Bond exchangeable for Definitive Bonds [/Registered Bond Certificates], on or after the first day following the expiry of 40 days following the Issue Date, on [●] days' notice.]

			[Permanent Global Bond exchangeable for Definitive Bonds [/Registered Bond Certificates] at any time/in the limited circumstances specified in the Permanent Global Bond.]
	(ii)	If Registered Bonds:	[Regulation S Global Registered Bond Certificate exchangeable for Definitive Registered Bond Certificates in the limited circumstances specified in the Registered Global Bond]
22	Relevant Financial Centre(s) or other special provisions relating to Payment Dates:		[Not Applicable/give details. *Note that this item relates to the place of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest to which paragraphs 15(xii) and 16(xvi) relate*]
23	Talons for future Coupons or Receipts to be attached to Definitive Bonds (and dates on which such Talons mature):		[No / Yes. As the Bonds have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]
24	Details relating to Partly Paid Bonds:		[Not Applicable]
25	Details relating to Instalment Bonds:		[Applicable/Not Applicable/*give details*]
	(i)	Instalment Date:	[●]
	(ii)	Instalment Amount:	[●]
26	Redenomination, renominalisation and reconventioning provisions:		[Not Applicable/The provisions in Condition 19 apply]

INTERCOMPANY LOAN TERMS

27	Amount of relevant Term Advance/Index Linked Advances:	GBP [●]
28	Interest rate on relevant Term Advance/Index Linked Advances:	[●]
29	Repayment Schedule for relevant Term Advance:	[●]
30	Maturity date of relevant Term Advance/Index Linked Advances:	[●]

DISTRIBUTION

31	(i)	If syndicated, names of Managers:	[Not Applicable/[●]]
	(ii)	Stabilisation Manager (if any):	[Not Applicable/[●]]
32	If non-syndicated, name of Dealer:		[Not Applicable/[●]]
33	US Selling Restrictions:		Reg. S Compliance Category 2; [TEFRA C Rules/ TEFRA D Rules/ TEFRA not applicable]

Signed on behalf of the Issuer:

By: .....

Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

(i)	Listing:	[Official List of the Luxembourg Stock Exchange]
(ii)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Bonds to be admitted to trading on the Luxembourg Stock Exchange Regulated Market with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Bonds to be admitted to trading on Luxembourg Stock Exchange's Regulated Market with effect from [●].] [Not applicable]
(iii)	Estimate of total expenses related to admission to trading:	[●]

2 RATINGS

Ratings:	[[The Bonds to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Bonds of this type issued under the Programme generally]]: [S&P Global Ratings Europe Limited: [●]] [Fitch Ratings Limited: [●]] [Moody's Investors Service Limited: [●]] [[Other]: [●]] [Need to include a 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/OFFER]

[●] / [Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer.] [The Dealers and their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and/or its affiliates in the ordinary course of business.]

4 REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

Reasons for the offer:	[●] [See "Introduction and Use of Proceeds" in Chapter 1 "General Description of the Programme" of the Prospectus/Give details] (See "Introduction and Use of Proceeds" in Chapter 1 "General Description of the Programme" of the Prospectus – if reasons for offer different from what is disclosed in the Prospectus, give details here.)
Estimated net proceeds:	[●]

5 [Fixed Rate Bonds only – YIELD

Indication of yield:	[●] per cent. per annum]

6 [Floating Rate Bonds Only – HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR] rates can be obtained from [●].]

7 [Index Linked or other variable-linked Bonds only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING

(i)	Name of underlying index:	[UK Retail Price Index (RPI) / UK Consumer Prices Index (CPI) / UK Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax (CPIH) / any comparable index that may replace RPI]
(i)	Information about the Index, its volatility and past and future performance can be obtained from:	More information on [RPI / CPI / CPIH / any comparable index which may replace RPI / CPI / CPIH] including past and current performance and its volatility and fall back provisions in the event of a disruption in the publication of [RPI / CPI / CPIH, can be found at [www.statistics.gov.uk / relevant replacing website]

8 OPERATIONAL INFORMATION

ISIN Code:	[●]
Common Code:	[●]
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, SA and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s [and addresses])*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]

CHAPTER 8
TAX CONSIDERATIONS

The following is a general summary of the United Kingdom withholding taxation treatment in relation to payments of principal and interest in respect of the Bonds, certain Luxembourg tax considerations in relation to the Bonds, in each case as at the date of this Prospectus.

Prospective purchasers of Bonds should be aware that the particular terms of issue of any Sub-Class of Bonds as specified in the relevant Final Terms may affect the tax treatment of that and other Sub-Classes or Classes of Bonds.

United Kingdom Withholding Tax

These comments in relation to United Kingdom withholding tax do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Bonds. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are absolute beneficial owners of the Bonds and may not apply to certain classes of persons such as dealers or certain professional advisers, or persons connected with the Issuer. They are of a general nature and not intended to be exhaustive.

*This summary as it applies to United Kingdom taxation is based upon current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs ("**HMRC**") practice (which may not be binding on HMRC), as in effect on the date of this Prospectus and is subject to any change in law or practice that may take effect after such date, sometimes with retrospective effect.*

Bondholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Bonds. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom. In particular, Bondholders should be aware that the tax legislation of any jurisdiction where a Bondholder is resident or otherwise subject to taxation (as well as the jurisdictions discussed below) may have an impact on the tax consequences of an investment in the Bonds including in respect of any income received from the Bonds.

Prospective purchasers who are in any doubt as to their tax position should consult their professional advisers.

Payment of Interest by The Issuer

Bonds will constitute "quoted Eurobonds" provided they carry a right to interest and are and continue to be listed on a recognised stock exchange, within the meaning of Section 1005 Income Tax Act 2007. The Luxembourg Stock Exchange is a recognised stock exchange for these purposes. Bonds will be treated as listed on the Luxembourg Stock Exchange if they are included in the Securities Official List by the Luxembourg Listing Authority and are admitted to trading on the Luxembourg Stock Exchange. Whilst such Bonds are and continue to be quoted Eurobonds, payments of interest by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax.

If this requirement is not satisfied as at the date interest on the Bonds is paid, then such interest will generally be paid by the Issuer under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs under domestic law or to any direction to the contrary from HMRC in respect of such relief as may be available under the provisions of any applicable double taxation treaty.

If United Kingdom withholding tax is imposed, then the Issuer will not pay any additional amounts under the terms of the Bonds.

Bonds may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Bond will not be subject to any United Kingdom withholding tax.

Where Bonds are issued with a redemption premium, as opposed to being issued at discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above (and also subject to the exemptions outlined above).

Payments by Financial Guarantors under The Financial Guarantees

If a Financial Guarantor makes any payments in respect of scheduled payments of principal and interest on the Class A Bonds (or other amounts due under the Class A Bonds other than the repayment of amounts subscribed for the Class A Bonds), such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.) subject to the availability of exemptions, reliefs or any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. Such payments by the Financial Guarantors may not be eligible for the exemption from United Kingdom withholding tax in respect of securities that are "quoted Eurobonds" as described above. If United Kingdom withholding tax is imposed, then the Financial Guarantor will not pay any additional amounts under the Financial Guarantees.

Other Rules relating to United Kingdom Withholding Tax

As the Issuer is managed in such a way to be resident in the United Kingdom for tax purposes the interest may be deemed to be from a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment. Where the interest is paid without withholding or deduction, the interest will not be assessed to United Kingdom tax in the hands of Bondholders who are not tax resident in the United Kingdom, except where the holder carries on a trade, profession or vocation through a branch or agency, or in the case of a corporate holder, carries on a trade or vocation through a permanent establishment in the United Kingdom in connection with which the interest is received or to which the Bonds are attributable, in which case (subject to exemptions for interest received by certain categories of agent) tax may be levied on the United Kingdom branch or agency or permanent establishment.

If interest were paid under deduction of United Kingdom income tax (e.g. if the Bonds lost their listing and therefore ceased to constitute "quoted Eurobonds"), Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if they qualify for relief under an applicable double taxation treaty.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 15(c) of the Bonds or otherwise and does not consider the tax consequences of any such substitution.

Luxembourg tax

The following is a general description of certain Luxembourg tax laws relating to the Bonds as in effect and as applied by the relevant tax authorities as at the date hereof, is subject to any change in law or practice that may take effect after such date, sometimes with retrospective effect, and does not purport to be a comprehensive discussion of the tax treatment of the Bonds.

Prospective investors should consult their own professional advisers on the implications of making an investment in, holding or disposing of Bonds and the receipt of interest with respect to such Bonds under the laws of the countries in which they may be liable to taxation.

Under Luxembourg general tax laws currently in force and subject to the Law of 23 December 2005 introducing a final withholding tax on certain savings income in the form of interest, as amended (the "**December 2005 Law**"), there is no withholding tax on payments of interest.

In accordance with the December 2005 Law, as amended, payments of interest made or secured by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is resident of Luxembourg, will be subject to a final withholding tax at the rate of 20%. Responsibility for withholding such tax will be assumed by the Luxembourg paying agent.

FATCA Withholding

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 ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

CHAPTER 9
DESCRIPTION OF THE CURRENT ISSUER HEDGE COUNTERPARTY, FACILITY PROVIDERS AND ACCOUNT BANK

The information contained herein with respect to the Current Issuer Hedge Counterparties, Authorised Lenders and Liquidity Facility Providers who are also acting as Dealers under the Programme relates to and has been obtained from each party respectively. Delivery of this Prospectus shall not create any implication that there has been no change in the affairs of any of the parties since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

The Issuer acknowledges that it shall be required to prepare a supplement to the Prospectus pursuant to Article 23 of Regulation (EU) 2017/1129 of 14 June 2017 relating to prospectuses for securities in the circumstances set out in Article 13, including the occurrence of a significant new factor such as a new transaction party performing one of the roles described in this chapter.

CURRENT ISSUER HEDGE COUNTERPARTY

NatWest Markets Plc

NatWest Markets Plc ("**NWM**") is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc (the "**holding company**"), a banking and financial services group. NWM provides risk management, trading solutions and debt financing principally to UK and European corporate customers and global financial institutions to help these customers manage their financial risks and achieve their short- and long-term financial goals while navigating changing markets and regulation.

The '**NWM Group**' comprises NWM and its subsidiary and associated undertakings. The '**RBS Group**' comprises the holding company and its subsidiary and associated undertakings, including the NWM Group.

As at 30 September 2019, the NWM Group had total assets of £313.7.4 billion and owners' equity of £8.5 billion and the Bank had a total capital ratio of 21.6% and a CET1 capital ratio of 14.7%. Further information relating to the NWM Group can be found in the NWM Group 2018 Annual Report and Accounts, in the NWM H1 2019 Interim Results, in the NWM Q3 2019 Interim Management Statement, in the NWM Group Registration Statement dated 22 March 2019 and any supplements thereto, and other relevant filings or announcements, which can be found at https://investors.rbs.com/regulatory-news/company-announcements.aspx.

The long-term, unsecured and unsubordinated debt obligations of NWM are rated A- by S&P, A by Fitch and Baa2 by Moody's. NWM's counterparty risk assessment is A3(cr) by Moody's.

As at the date of this Prospectus, NWM has securities admitted to trading on the regulated market of the London Stock Exchange.

CURRENT AUTHORISED LENDERS OF THE ISSUER

European Investment Bank

The Issuer has (i) a fully drawn finance contract of £100 million dated 5 December 2005 with the European Investment Bank repayable in instalments by 15 December 2021, (ii) a fully drawn finance contract of £100 million dated 23 October 2008 repayable in instalments by 15 April 2025; and (iii) a fully drawn finance contract of £100 million dated 3 March 2011 repayable in instalments by 15 December 2028.

HSBC Bank plc

HSBC Bank plc and its subsidiaries form a group providing a range of banking products and services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a company limited by shares in 1880. In 1923, the company adopted the name Midland Bank Limited, which it held until 1982 when it re-registered as a public limited company and changed its name to Midland Bank plc. In 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in 1999.

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide across 65 countries and territories in Europe, Asia, North America, Latin America, and Middle East and North Africa. With assets of US$2,751 billion at 30 June 2019, HSBC is one of the world's largest banking and financial services organisation.

The short term senior unsecured and unguaranteed obligations of HSBC Bank `plc are, as at the date of this Prospectus, rated P-1 by Moody's and A-1+ by Standard & Poor's and HSBC Bank plc has a short term issuer default rating of F1+ from Fitch. The long term senior unsecured and unguaranteed obligations of HSBC Bank plc are rated Aa3 by Moody's and AA- by S&P and HSBC Bank plc has a long term issuer default rating of AA- from Fitch.

HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

The Issuer has an undrawn bilateral revolving credit facility of £20 million dated 6 August 2014 with HSBC Bank plc available to be drawn in the six years to 6 August 2020.

NatWest Markets Plc

The Issuer has an undrawn bilateral revolving credit facility of £50 million dated 6 August 2014 with NatWest Markets Plc, available to be drawn in the six years to 6 August 2020.

BNP Paribas, London Branch

BNP Paribas is a French multinational bank and financial services company with its registered office located at 16 boulevard des Italiens 75009 Paris, France, and its corporate website in English is http://www.bnpparibas.com/en.

BNP Paribas, together with its consolidated subsidiaries (the "**BNP Paribas Group**") is a global financial services provider, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialized and other financial activities throughout the world.

The BNP Paribas Group, one of Europe's leading providers of banking and financial services, has four domestic retail banking markets in Europe, namely in Belgium, France, Italy and Luxembourg.

It operates in 71 countries and has more than 201,000 employees, including more than 153,000 in Europe. BNP Paribas holds key positions in its two main businesses:

- Retail Banking and Services, which includes:
  - Domestic Markets, comprising:
    - French Retail Banking (FRB),
    - BNL banca commerciale (BNL bc), Italian retail banking,
    - Belgian Retail Banking (BRB),
    - Other Domestic Markets activities including Luxembourg Retail Banking (LRB);
  - International Financial Services, comprising:
    - Europe-Mediterranean,
    - BancWest,
    - Personal Finance,
    - Insurance,
    - Wealth and Asset Management;
- Corporate and Institutional Banking (CIB):
  - Corporate Banking,
  - Global Markets,
  - Securities Services.

BNP Paribas SA is the parent company of the BNP Paribas Group.

At 30 June 2019, the BNP Paribas Group had consolidated assets of €2,373 billion (compared to €2,044 billion at 1 January 2019[4]), consolidated loans and receivables due from customers of €794 billion (compared to €766 billion at 1 January 2019[1]), consolidated items due to customers of €833 billion (compared to €797 billion at 1 January 2019[1]) and shareholders' equity (Group share) of €104.1 billion (compared to €101.3 billion at 1 January 2019[1]).

At 30 June 2019, pre-tax income was €6.1 billion (compared to €5.7 billion at the end of June 2018). Net income, attributable to equity holders, for the first half 2019 was €4.4 billion (compared to €3.9 billion for the first half 2018).

At the date of this Prospectus, the BNP Paribas Group currently has Long Term Senior Preferred debt ratings of "A+" with stable outlook from S&P, "Aa3" with stable outlook from Moody's Investors Service, Inc. and "AA-" with stable outlook from Fitch Ratings, Ltd and "AA (low)" with stable outlook from DBRS.

The information contained in this section relates to and has been obtained from BNP Paribas. The information concerning BNP Paribas and the BNP Paribas Group contained herein is furnished solely to provide limited introductory information regarding BNP Paribas and the BNP Paribas Group and does not purport to be comprehensive.

[4] Revised presentation, based on the new IFRS 16 accounting standard

The delivery of the information contained in this section shall not create any implication that there has been no change in the affairs of BNP Paribas or the BNP Paribas Group since the date of this Prospectus, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

For up-to-date financial information, including quarterly results since the last fiscal year end, please refer to http://invest.bnpparibas.com/en.

The Issuer has an undrawn bilateral revolving credit facility of £60 million dated 19 May 2014 with BNP Paribas, London Branch, which is available to be drawn in the six years ending 19 May 2020.

Barclays Bank PLC

Barclays Bank PLC (the "Bank", and together with its subsidiary undertakings, the "Bank Group") is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Bank is limited. It has its registered and head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). The Bank was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Bank was re-registered as a public limited company and its name was changed from 'Barclays Bank International Limited' to 'Barclays Bank PLC'. The whole of the issued ordinary share capital of the Bank is beneficially owned by Barclays PLC. Barclays PLC (together with its subsidiary undertakings, the "Group") is the ultimate holding company of the Group.

The Group is a transatlantic consumer and wholesale bank with global reach offering products and services across personal, corporate and investment banking, credit cards and wealth management anchored in the Group's two home markets of the UK and the US. The Group is organised into two clearly defined business divisions – Barclays UK division and Barclays International division. These are housed in two banking subsidiaries – Barclays UK sits within Barclays Bank UK PLC and Barclays International sits within the Bank – which operate alongside Barclays Execution Services Limited but, in accordance with the requirements of ring-fencing legislation, independently from one another. Barclays Execution Services Limited drives efficiencies in delivering operational and technology services across the Group.

The Bank and the Bank Group offer products and services designed for the Group's larger corporate, wholesale and international banking clients.

The short term unsecured obligations of the Bank are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long term unsecured unsubordinated obligations of the Bank are rated A by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A+ by Fitch Ratings Limited.

Based on the Bank Group's audited financial information for the year ended 31 December 2018, the Bank Group had total assets of £877,700m (2017: £1,129,343m), total net loans and advances of £136,959m (2017: £324,590m), total deposits of £199,337m (2017: £399,189m), and total equity of £47,711m (2017: £65,734m) (including non-controlling interests of £2m (2017: £1m)). The profit before tax of the Bank Group for the year ended 31 December 2018 was £1,286m (2017: £1,758m) after credit impairment charges and other provisions of £643m (2017: £1,553m). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Bank for the year ended 31 December 2018.

Based on the Bank Group's unaudited financial information for the six months ended 30 June 2019, the Bank Group had total assets of £969,266m, total net loans and advances of £144,664m, total deposits of

£215,125m, and total equity of £52,610m (including non-controlling interests of £0m). The profit before tax of the Bank Group for the six months ended 30 June 2019 was £1,725m (30 June 2018: £725m) after credit impairment charges and other provisions of £510m (30 June 2018: £156m). The financial information in this paragraph is extracted from the unaudited condensed consolidated interim financial statements of the Bank for the six months ended 30 June 2019.

The Issuer has an undrawn bilateral revolving credit facility of £40 million dated 24 November 2017 with the Bank which is available to be drawn in the three years ending on 24 November 2020.

CURRENT LIQUIDITY FACILITY PROVIDERS OF THE ISSUER

AGM

Assured Guaranty Municipal Corp. (“AGM”) is a New York domiciled financial guarantee insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any guarantee issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion.

Additional information, including copies of the most recent publicly available financial results of AGM and AGL, is available from Assured Guaranty, 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100) or at http://www.assuredguaranty.com/investor-information.

AGE

Assured Guaranty (Europe) plc ("AGE") is incorporated in England and is a wholly-owned subsidiary of AGM and an indirect subsidiary of AGL. AGE is authorised by the UK Prudential Regulation Authority (“PRA”) to effect and carry out contracts of insurance in three classes, "credit", "suretyship" and "miscellaneous financial loss", and is regulated by the PRA and the UK Financial Conduct Authority. AGE is “passported” to provide financial guarantee insurance contracts in twenty European countries.

AGE’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGE should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGE in its sole discretion.

Additional information, including copies of the most recent publicly available financial results of AGE, is available from AGE, 11th Floor, 6 Bevis Marks, London EC3A 7BA, United Kingdom, Attention: Communications Department or at http://www.assuredguaranty.com/investor-information.

CURRENT ACCOUNT BANK OF THE ISSUER

National Westminster Bank Plc

National Westminster Bank Plc was incorporated in England and Wales as a public limited company on 18 March 1968. National Westminster Bank Plc has its principal place of business in the United Kingdom at 250 Bishopsgate, London, EC2M 3UR.

APPENDIX A
KEY CHARACTERISTICS OF BONDS CURRENTLY IN ISSUE
Sub-Class of Bonds

For the avoidance of doubt, this Appendix A is for informational purposes only.

	A1	A4	A5	A6	B1	B3	B4	B5	B6	B7
Nominal amount per Bond	£1,000	£1,000	£1,000	£50,000	£1,000	£1,000	£1,000	£50,000	£50,000	£50,000
	£10,000	£10,000	£10,000		£10,000	£10,000	£10,000			
	£100,000	£100,000	£100,000		£100,000	£100,000	£100,000			
Total nominal amount	£350,000,000	£265,000,000	£85,000,000	£100,000,000	£325,000,000	£128,600,000	£75,000,000	£50,000,000	£140,000,000	£300,000,000
Issue Price	100	100	100	100	100	100	100	100	100	100
Currency	£	£	£	£	£	£	£	£	£	£
Rating - S&P	A	A	A	A	A	A	A	A	A	A
Rating - Moody's	A2	A2	A2	A2	A2	A2	A2	A2	A2	A2
Rating – Fitch	A	A	A	A	A	A	A	A	A	A
Interest rate	6.015	3.514	3.512	4.473	6.907	4.377	4.375	1.375	1.859	2.5
Interest Basis	Fixed Rate	Index-Linked	Index-Linked	Fixed Rate	Fixed Rate	Index-Linked	Index-Linked	Index-Linked	Indexed	Fixed Rate
Frequency of payment of interest	Annually	Semi-annually	Semi-annually	Annually	Annually	Semi-annually	Semi-annually	Semi-annually	Semi-annually	Anually
Frequency of amortisation of principal	Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment	Bullet repayment
Expected maturity	31 March 2028	31 March 2030	31 March 2031	31 March 2057	31 March 2021	31 March 2026	31 March 2027	31 March 2057	31 March 2048	31 March 2036
Final maturity	31 March 2028	31 March 2030	31 March 2031	31 March 2057	31 March 2021	31 March 2026	31 March 2027	31 March 2057	31 March 2048	31 March 2036
Early redemption premium	Higher of par and spens	Higher of par (after indexation) and spens	Higher of par (after indexation) and spens	Higher of par and spens	Higher of par and spens	Higher of par (after indexation) and spens	Higher of par (after indexation) and spens	N/A	Higher of par (after indexation) and spens	Higher of par (after indexation) and spens
Payment dates for interest and principal payments	31 March	31 March 30 Sept	31 March 30 Sept	31 March 30 Sept	31 March	31 March 30 Sept	31 March 30 Sept	31 March 30 Sept	31 March 30 Sept	31 March 30 Sept
Form at issue	Bearer form	Bearer form	Bearer form	Bearer form	Bearer form	Bearer form	Bearer form	Bearer form	Bearer form	Bearer form
Common Code	012831102	012831170	012906536	027578772	012831196	012831331	012906544	027627889	049783957	17578300
ISIN	XS0128311023	XS0128311700	XS0129065362	XS0275787728	XS0128311965	XS0128313318	XS0129065446	XS0276278891	XS0497839570	XS175783008

INDEPENDENT AUDITORS – GLAS ACCOUNTS

The historical consolidated financial statements together with the accompanying directors' reports of Glas Cymru Anghyfyngedig and its subsidiaries as of and for the year ended 31 March 2018 and 31 March 2019 have been audited by KPMG LLP, independent auditors, as set forth in their reports available from Companies House. The independent auditors' reports for those accounting periods were unqualified. KPMG LLP is a member of the ICAEW, the Institute of Chartered Accountants in England and Wales.

The independent auditors have given and not withdrawn their consent for references to their reports to be included in this Prospectus in the form and context in which they are included for purposes of the listing of the Bonds on the Official List of the Luxembourg Stock Exchange in accordance with its rule.

Investors in and purchasers of the Bonds should understand that consistent with guidance issued by ICAEW, the Institute of Chartered Accountants in England and Wales, the independent auditors' report for the year ended 31 March 2019 for Glas referred to in this Prospectus states that: the report has been prepared for Glas solely in response to a request from Glas for an audit opinion from independent auditors on the non-statutory directors' reports and financial statements; that the report was designed to meet the agreed requirements of Glas determined by its needs at the time; that the report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against the independent auditors other than Glas for any purpose or in any context; that any party other than Glas who obtains access to the report or a copy and chooses to rely on the report (or any part of it) will do so at its own risk; and that to the fullest extent permitted by law, the independent auditors will accept no responsibility or liability in respect of the report to any other party.

The independent auditor's reports for:

(i) DCC (for the years ended 31 March 2018 and 31 March 2019); and

(ii) Glas (for the years ended 31 March 2018 and 31 March 2019) only);,

state that that audit report is made solely to the relevant company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. The audit work for that period has been undertaken so that the independent auditor might state to the relevant company's members those matters the independent auditor is required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, the independent auditor does not accept or assume responsibility to anyone other than the relevant company and the relevant company's members as a body for that audit work, for that audit report, or for the opinion the independent auditor has formed in respect of that audit.

In the context of this Prospectus, the independent auditors have confirmed that they do not intend their duty of care in respect of their audits to extend to any party, such as investors in and purchasers of the Bonds, other than the addressees of their reports.

The extent to which independent auditors may have responsibility or liability to third parties can be unclear under the laws of many jurisdictions, including the United Kingdom. The inclusion of the language referred to above, however, may limit the ability of holders of the Bonds to bring any action against the independent auditors for damages arising out of an investment in or purchase of the Bonds.

Investors in and purchasers of the Bonds may therefore have limited or no recourse against the independent auditors.

CHAPTER 10
SUBSCRIPTION AND SALE

Subscription and Sale

Bonds (other than the Class R Bonds) may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, BNP Paribas, HSBC Bank plc, Lloyds Bank Corporate Markets plc, or NatWest Markets Plc and any other dealer appointed from time to time (collectively, the "**Dealers**") pursuant to an amended and restated dealership agreement dated on or about 11 November 2019 made between, *inter alia*, DCC, the Issuer and the Dealers (as further amended from time to time, the "**Dealership Agreement**"). The arrangements under which a particular Sub-Class of Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, particular Dealers are set out in the Dealership Agreement and the subscription agreements relating to each Sub-Class of Bonds. The Final Terms will, *inter alia*, make provision for the form and Conditions of the relevant Bonds and the price at which such Bonds will be purchased by the applicable Dealers. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Sub-Class, Class or Series of Bonds.

Selling and Transfer Restrictions of the United States of America

Selling Restrictions

The Bonds and any Financial Guarantees in respect thereof have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Bearer Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, U.S. persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act, as amended, or the U.S. Internal Revenue Code of 1986, amended, and U.S. Treasury regulations promulgated thereunder as appropriate.

Each of the Dealers has agreed and each further Dealer under the Programme will be required to agree that it will not offer, sell or deliver any Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of each Sub-Class, within the United States or to, or for the account or benefit of, U.S. persons except as permitted by the Dealership Agreement and that it will have sent to each dealer to which it sells Bonds during this 40 day period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or the account or benefit of, U.S. persons. The Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. In addition, until 40 days after the commencement of the offering, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Bonds outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Bonds, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States. Distribution of this Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Transfer Restrictions

Each purchaser of the Bonds outside the United States pursuant to Regulation S and each subsequent purchaser of such Bonds in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Bonds, will be deemed to have represented, agreed and acknowledged that:

(a) it is, or at the time the Bonds are purchased will be, the beneficial owner of such Bonds and (i) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;

(b) it understands that such Bonds and any Financial Guarantees in respect thereof have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Bonds except in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States;

(c) it understands that such Bonds, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend to the following;

"THIS BOND AND THE FINANCIAL GUARANTEES IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED OR IF IN BEARER FORM, DELIVERED, WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT"; and

(d) it understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(i) the expression "**retail investor**" means a person who is one (or more) of the following:

  (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MIFID II**"); or

  (b) 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; and

(ii) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer under the Programme will be required to represent and agree, that:

(i) ***No-deposit taking***: in relation to any Bonds which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(ii) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom; and

(iii) ***Investment advertisements***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Financial Guarantor.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (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 Bonds 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 Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) 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;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification – In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Bonds, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and are Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

Save for obtaining the approval of the Prospectus by the CSSF for the approval of this Prospectus as a base prospectus for the purposes of Article 8 of the Prospectus Regulation and for the approval for the Bonds to be issued under the Programme for the period of 12 months from the date of this Prospectus to be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the "Bourse de Luxembourg" of the Luxembourg Stock Exchange Regulated Market, no action has been or will be taken in any country or jurisdiction by the Issuer or any of the Other Parties that would permit a public offering of Bonds, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus or any Final Terms comes are required by the Issuer and the Other Parties to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Sub-Class or Class of Bonds) or (in any other case) in a supplement to this document.

CHAPTER 11
GENERAL INFORMATION

1. Application has been made to the Luxembourg Stock Exchange for the Bonds issued under the Programme to be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange Regulated Market.

2. The establishment of the Programme was authorised by resolutions of the board of directors of the Issuer passed on 3 May 2001 and the updates of the Programme were authorised by resolutions of the board of directors of the Issuer passed on 3 November 2006, 11 March 2010, 16 June 2011, 2 November 2017 and 5 September 2019. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

3. The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and ISIN for each Sub-Class of Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Bonds are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

4. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

5. The Legal Entity Identifier code of the Issuer is 213800GDOFO2ED5PNC85.

6. Global Bonds (other than Temporary Global Bonds) and Definitive Bonds and any Coupons, Receipts and Talons appertaining thereto will bear a legend to the following effect where TEFRA D is specified in the relevant Final Terms: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Bond, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bond, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

7. Neither the Issuer, DCC nor Glas is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer, DCC or Glas is aware) during the 12 months preceding the date of this Prospectus, which may have, or has had in the recent past, significant effects on the financial position or profitability of the Issuer, DCC, Glas and/or the Glas Group.

8. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have yet been prepared. The accounting reference date of the Issuer is 31 March and therefore its first statutory accounts will be drawn up to 31 March 2020.

9. The latest audited financial statements of DCC and Glas have been prepared as of 31 March 2019. DCC. The latest published audited annual financial statements, interim financial statements and all future audited annual financial statements and interim financial statements of DCC and Glas will be available free of charge in accordance with paragraph 11 below.

10. Since 31 March 2019, the date of the last audited annual financial statements, there has been no significant change in the financial position and performance of DCC or Glas, nor any material adverse change in the financial position or prospects of DCC or Glas.

11. Since 31 March 2019, the date of the last audited annual financial statements of DCC, there has been no significant change in the financial performance of the Group.

12. Since 16 April 2019, the date of incorporation of the Issuer, there has been no material adverse change in the financial position or prospects of the Issuer.

13. The financial statements of Glas and DCC have been audited for each of the two financial years immediately preceding the date of this Prospectus by the Glas Group Auditors and were not qualified. The last published audited annual financial statements and all future financial statements of Glas and DCC will be available free of charge in accordance with paragraph 14 below.

14. For so long as the Programme remains in effect or any Bonds shall be outstanding (and in case of documents listed in (d), (e) and (g) below, for so long as any Class A Bonds only shall be outstanding), copies of the following documents, may be inspected during normal business hours (in the case of Bearer Bonds) at the specified offices of the Principal Paying Agent and the Luxembourg Listing Agent, (in the case of Registered Bonds) at the specified office of the Registrar and the Transfer Agents and (in all cases) at the registered office of the Issuer or the Bond Trustee, in the case of the documents referred to in items (e) to (i) inclusive, for collection free of charge during normal business hours at the specified office of the Luxembourg Listing Agent and/or the office of the Issuer, namely, and, in the case of items (a) and (u) only at DCC's website at www.dwrcymru.com:

    (a) the Issuer's Memorandum and Articles of Association;

    (b) DCC's Memorandum and Articles of Association;

    (c) Glas' Memorandum and Articles of Association;

    (d) Assured Guaranty (Europe) plc's Memorandum and Articles of Association;

    (e) Assured Guaranty Corp.'s By laws;

    (f) the auditors' reports from the Glas Group Auditors in respect of latest annual audited financial statements of Glas and DCC;

    (g) the auditor's report from the auditors of Assured Guaranty (Europe) plc, PricewaterhouseCoopers LLP, in respect of the latest annual audited financial statements of Assured Guaranty (Europe) plc;

    (h) each Final Terms relating to each Sub-Class of Bonds issued under the Programme;

    (i) each Financial Guarantee and all related Endorsements relating to each Sub-Class of Class A Bonds issued under the Programme;

    (j) each Intercompany Loan Agreement relating to each Series of Bonds issued under the Programme;

    (k) the Common Terms Agreement and any amendment thereto;

    (l) the DCC STID;

    (m) the Deed of Amendment to DCC STID;

    (n) the DCC Deed of Charge;

(o) the Holdings Deed of Charge;

(p) the Glas Securities Deed of Charge;

(q) the Glas Deed of Charge;

(r) the Glas Holdings Deed of Charge;

(s) each Finance Lease;

(t) the DCC Account Bank Agreement;

(u) the Trust Deed (as amended and restated);

(v) the Deeds of Amendment to the Trust Deed;

(w) the Master Framework Agreement (as amended and restated);

(x) the Deed of Amendment to the Master Framework Agreement;

(y) the Issuer Deed of Charge;

(z) the Issuer STID and any amendment thereto;

(aa) each Liquidity Facility Agreement;

(bb) each Hedging Agreement;

(cc) the Issuer Account Bank Agreement;

(dd) the Paying Agency Agreement;

(ee) the Tax Deed of Covenant;

(ff) the Authorised Loan Facilities;

(gg) a copy of this Prospectus;

(hh) a copy of the prospectus dated 21 June 2011 in respect of the Programme;

(ii) a copy of the prospectus dated 19 March 2010 in respect of the Programme;

(jj) a copy of the prospectus dated 4 December 2006 in respect of the Programme;

(kk) a copy of the series prospectus dated 23 March 2010 in respect of the Programme;

(ll) a copy of the prospectus dated 20 December 2017 in respect of the Programme;

(mm) a copy of the Information Memorandum dated 7 April 2003 in respect of the Programme; and

(nn) a copy of the Information Memorandum dated 4 May 2001 in respect of the Programme.

This Prospectus, any supplements hereto and the Final Terms for Bonds that are listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's regulated market will be published on the website of the Luxembourg Stock Exchange (*www. bourse.lu*).

15. The information with respect to Glas Securities, Holdings and the WSRA's assessment for water and sewerage companies contained in Chapter 4 "*DCC, the Issuer, the Glas Group and Glas Holdings*" has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information with respect to Glas Securities and Holdings contained herein has been obtained from each of Glas Securities and Holdings, respectively.

16. Neither the Issuer nor DCC has entered into contracts outside the ordinary course of their business, which could result in the Issuer or DCC being under an obligation or entitlement that is material to each of their ability to meet, in the case of the Issuer, its obligations to holders of any Bonds and, in the case of DCC, its obligations to the Issuer under any Intercompany Loan Agreement.

17. The issue price and the amount of the relevant Bonds to be issued under the Programme will be determined, before filing of relevant Final Terms of each Sub-Class, by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions. Other than the information issued under the Investors Report (see Chapter 6 "*Financing Structure*" – "*Common Terms Agreement*" for details), the Issuer does not intend to provide any post-issuance information regarding securities to be admitted to trading and the performance of the underlying collateral.

18. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. Certain of the Dealers may from time to time also enter into swap and other derivative transactions with the Issuer and/or DCC and their respective affiliates. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Bonds issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire long and/or short positions in such securities and instruments.

INDEX OF DEFINED TERMS

The following terms are used throughout this Prospectus. The page number(s) opposite a term indicates the page(s) on which such term is defined.

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