

# Cadent

## Your Gas Network

### CADENT FINANCE PLC

*(formerly National Grid Gas Finance plc*

*incorporated with limited liability in England and Wales under registered number 5895068)*

**£6,000,000,000**

### Euro Medium Term Note Programme

**unconditionally and irrevocably guaranteed by**

### CADENT GAS LIMITED

*(formerly National Grid Gas Distribution Limited*

*incorporated with limited liability in England and Wales under registered number 10080864)*

Under the Euro Medium Term Note Programme (the "**Programme**") described in this Prospectus (the "**Prospectus**"), Cadent Finance plc ("**FinCo**" or the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt instruments (the "**Instruments**") denominated in any currency agreed between the Issuer, the Guarantor, the Trustee and the relevant Dealer(s) (as defined below). Instruments will upon issue be guaranteed (the "**Guarantee**") by Cadent Gas Limited ("**OpCo**", the "**Guarantor**" or "**Cadent**"). The aggregate principal amount of Instruments outstanding will not at any time exceed £6,000,000,000 (or the equivalent in other currencies). The Instruments will only be issued in bearer form.

Application has been made to the Financial Conduct Authority (the "**U.K. Listing Authority**") under Part VI of the Financial Services and Markets Act 2000 ("**FSMA**") for Instruments 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 U.K. Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Instruments to be admitted to trading on either the London Stock Exchange's Regulated Market (the "**Market**") or on the London Stock Exchange's Professional Securities Market (the "**PSM**"). References in this Prospectus to Instruments being "**listed**" (and all related references) shall mean that such Instruments have been admitted, as appropriate, to trading on the Market or the PSM and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2014/65/EU, (as amended "**MIFID II**"). The PSM is not a regulated market for the purposes of MiFID II. The relevant Final Terms (as defined in the section headed "**Overview of the Programme**") in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Official List and admitted to trading on the Market or the PSM. In the case of Instruments issued under the Programme which are listed on the Official List and admitted to trading on the PSM ("**PSM Instruments**"), references to the Final Terms contained in this Prospectus shall be construed as references to the pricing supplement substantially in the form set forth in this Prospectus (the "**Pricing Supplement**").

**References in this Prospectus to PSM Instruments are to Instruments for which no prospectus is required to be published under the Prospectus Directive (as defined below). For the purposes of any PSM Instruments issued pursuant to this Programme, this document does not constitute a base prospectus within the meaning of Article 2.1 of the Prospectus Directive and will instead constitute Listing Particulars (as defined below).**

Each Series (as defined on page 9) of Instruments will be represented on issue by a temporary global instrument in bearer form (each a "**temporary Global Instrument**") or a permanent global instrument (each a "**permanent Global Instrument**" and, together with the temporary Global Instruments, the "**Global Instruments**"). If the Global Instruments are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form, the Global Instruments will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Global Instruments which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depository**"). The provisions governing the exchange of interests in any Global Instruments for interests in any other Global Instruments and Definitive Instruments are described in "**Overview of Provisions Relating to the Instruments while in Global Form**".

The Programme has been rated 'Baa1 (stable)' by Moody's Investors Service Ltd. ("**Moody's**"), 'BBB+' (Issuer Default Rating and Stable outlook) by Fitch Ratings Limited ("**Fitch**") and 'BBB+ (stable)' by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). Moody's, Fitch and S&P are each established in the European Union and each are registered under Regulation (EC) No 1060/2009 (as amended) (the "**CRA Regulation**"). Tranches of Instruments (as defined in "**Overview of the Programme**") to be issued under the Programme may be rated or unrated. Where a Tranche of Instruments is rated, such rating will not necessarily be the same as the rating assigned to the Instruments already issued. 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 Union under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. See "**Description of the Guarantor – Credit Ratings**" for further information relating to credit ratings. Prospective investors should have regard to the factors described under the section headed "**Risk Factors**" in this Prospectus.

#### Arranger for the Programme

**National Westminster Bank**

**The Dealers**

Barclays  
BofA Merrill Lynch  
Mizuho Securities  
MUFG  
TD Securities

BNP Paribas  
Lloyds Bank Corporate Markets  
Morgan Stanley  
NatWest Markets

## IMPORTANT NOTICES

This Prospectus comprises (i) a base prospectus (the “**Base Prospectus**”) for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU (as amended or superseded) (the “**Prospectus Directive**”) to the extent that such amendments have been implemented in a Member State of the European Economic Area) and relevant implementing measures in the United Kingdom and for the purpose of giving information with regard to the Issuer and OpCo which, according to the particular nature of the Issuer, OpCo and the Instruments to be issued by the Issuer, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and OpCo and the rights attaching to such Instruments and (ii) listing particulars for the purposes of LR 2.2.11 of the Listing Rules of the Financial Conduct Authority with regard to the Issuer and OpCo (the “**Listing Particulars**”).

For avoidance of doubt, the Pricing Supplement forms part of the Listing Particulars and does not form part of the Base Prospectus.

The Issuer and the Guarantor accept responsibility for the information contained in this Prospectus and the Final Terms (as defined herein) for each Tranche (as defined herein) of Instruments issued under the Programme. To the best of the knowledge of each of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) such information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus should be read and construed together with any amendments or supplements hereto and with any documents deemed to be incorporated herein (see “*Documents incorporated by reference*”) and, in relation to any Tranche of Instruments, should be read and construed together with the applicable Final Terms.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Instruments and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Trustee or any of the Dealers or the Arranger (as defined in “*Overview of the Programme*”).

Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall, under any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof, that there has been no change (or any event reasonably likely to involve a change) in the affairs of the Issuer or the Guarantor since the date of this Prospectus or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change (or any event reasonably likely to involve any adverse change) in the financial position of the Issuer or the Guarantor since the date of this Prospectus or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and the offering, distribution or sale of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Instruments and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and will be in bearer form and subject to U.S. tax law requirements. Subject to certain exceptions, the Instruments and the Guarantee may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on offers and sales of Instruments and on distribution of this Prospectus or any Final Terms, see “*Plan of Distribution*”.

Neither this Prospectus nor any Final Terms constitutes an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Instruments.

Save for the Issuer and the Guarantor, no other party has separately verified the information contained in this Prospectus. None of the Dealers, the Arranger or the Trustee makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus. Neither this Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantor, the Arranger, the Dealers or the Trustee that any recipient of this Prospectus or any other financial statements should purchase the Instruments. Each potential purchaser of Instruments should determine for itself the relevance of the information contained in this Prospectus and its purchase of Instruments should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger or the Trustee undertakes to review the financial condition or affairs of the Issuer and/or the Guarantor during the life of the arrangements contemplated by this Prospectus or to advise any investor or potential investor in the Instruments of any information coming to the attention of any of the Dealers, the Arranger or the Trustee.

Each potential investor in any Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Instruments, the merits and risks of investing in the relevant Instruments and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Instruments and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Instruments, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the relevant Instruments and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Certain Instruments are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Instruments which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

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

## BENCHMARK REGULATION

Amounts payable under the Instruments 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) RPI, which is provided by the Office for National Statistics, (iv) CPI, which is provided by the Office for National Statistics or (v) CPIH, which is provided by the Office for National Statistics. As at the date of this Prospectus, the IBA appears and the EMMI does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (“**ESMA**”) pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the “**BMR**”).

As far as the Issuer and Guarantor are aware, RPI, CPI and CPIH do not fall within the scope of the BMR by virtue of Article 2 of that regulation. In addition, the transitional provisions in Article 51 of the BMR apply, such that the EMMI is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

The registration status of any administrator under the BMR is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Prospectus to reflect any change in the registration status of the administrator.

## PROHIBITION OF SALES TO EEA RETAIL INVESTORS

The Instruments are not intended to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “**Insurance Mediation 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 (the “**PRIPs Regulation**”) for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

## MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The Final Terms in respect of any Instruments may include a legend entitled “MiFID II Product Governance” which will outline each manufacturer’s product approval process, the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (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 Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

## STABILISATION

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

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “**€**” and “**euro**” are to the currency of those member states of the European Union which are participating in European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Community, as amended, to “**Japanese yen**” are to the lawful currency of Japan, to “**£**” and “**Sterling**” are to the lawful currency of the United Kingdom, to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America, to “**New Zealand dollars**” are to the lawful currency of New Zealand, to “**Swedish krona**” are to the lawful currency of Sweden, to “**Danish krone**” are to the lawful currency of Denmark, to “**Hong Kong dollars**” are to the lawful currency of Hong Kong and to “**Swiss francs**” are to the lawful currency of Switzerland.

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## **DOCUMENTS INCORPORATED BY REFERENCE**

This Prospectus should be read and construed in conjunction with (a) the audited consolidated financial statements of the Issuer and the Guarantor for the financial year ended 31 March 2017, together with the audit report thereon (b) the audited consolidated financial statements of the Issuer and the Guarantor for the financial year ended 31 March 2018, together with the audit report thereon, and (c) the unaudited interim management reports of the Issuer and the Guarantor for the financial half year ended 30 September 2018, which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Conduct Authority or filed with it. Such documents 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. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

## **SUPPLEMENTAL PROSPECTUS**

In respect of any Instruments to be listed on the Market, if at any time the Issuer shall be required to prepare a supplemental prospectus pursuant to Section 87G of the FSMA ("**Supplemental Prospectus**"), the Issuer will prepare and publish and make available an appropriate amendment or supplement to this Prospectus or a further prospectus which, in respect of any subsequent issue of Instruments to be listed on the Official List and admitted to trading on the Market, shall constitute a Supplemental Prospectus as required by the U.K. Listing Authority and Section 87G of the FSMA.

## **SUPPLEMENTARY LISTING PARTICULARS**

In respect of any PSM Instruments, if at any time the Issuer shall be required to prepare supplementary listing particulars pursuant to Section 81 of the FSMA, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus or further listing particulars which, in respect of any subsequent issue of PSM Instruments, shall constitute supplementary listing particulars as required by the U.K. Listing Authority and Section 81 of the FSMA.

## OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Prospectus.

<b>Issuer</b>	Cadent Finance plc (“ <b>FinCo</b> ”) (formerly National Grid Gas Finance plc), registered number 5895068.
<b>Guarantor</b>	Cadent Gas Limited (“ <b>Cadent</b> ”) (formerly National Grid Gas Distribution Limited), registered number 10080864.
<b>Description</b>	Euro Medium Term Note Programme.
<b>Size</b>	Up to £6,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Instruments outstanding at any one time.
<b>Arranger</b>	National Westminster Bank Plc
<b>Principal Dealers</b>	Barclays Bank PLC BNP Paribas Lloyds Bank Corporate Markets plc Merrill Lynch International Mizuho International plc Morgan Stanley & Co. International plc MUFG Securities EMEA plc NatWest Markets Plc The Toronto-Dominion Bank
	The Issuer and Guarantor may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to “ <b>Permanent Dealers</b> ” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “ <b>Dealers</b> ” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Trustee</b>	The Law Debenture Trust Corporation p.l.c.
<b>Issuing and Paying Agent</b>	The Bank of New York Mellon, London Branch
<b>Method of Issue</b>	The Instruments will be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a “ <b>Series</b> ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Instruments of each Series being intended to be interchangeable with all other Instruments of that Series. Each Series may be issued in tranches (each a “ <b>Tranche</b> ”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and aggregate principal amount of the

Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms document (the “**Final Terms**”).

**Issue Price**

Instruments may be issued at their principal amount or at a discount or premium to their principal amount.

**Form of Instruments**

The Instruments may be issued in bearer form only. Each Tranche of Instruments will be represented on issue by a temporary Global Instrument if (a) Definitive Instruments are to be made available to Instrumentholders following the expiry of 40 days after their issue date or (b) such Instruments have an initial maturity of more than one year and are being issued in compliance with TEFRA D (as defined in “*Plan of Distribution – Selling Restrictions*” below), otherwise such Tranche will be represented by a permanent Global Instrument. Any permanent Global Instrument shall only be exchanged for Instruments in definitive form in the limited circumstances set out in the permanent Global Instrument.

**Clearing Systems**

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).

**Initial Delivery of Instruments**

On or before the issue date for each Tranche, if the relevant Global Instrument is a NGN, the Global Instrument will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Instrument is a CGN, the Global Instrument representing the relevant Instruments may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Instruments may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Guarantor, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).

**Currencies**

Subject to compliance with all relevant laws, regulations and directives, Instruments may be issued in U.S. dollars, Danish krone, Euro, Hong Kong dollars, New Zealand dollars, Sterling, Swedish krona, Swiss francs or Japanese yen or in other currencies if the Issuer, the Guarantor, the Trustee and the relevant Dealer(s) so agree.

**Maturities**

Subject to compliance with all relevant laws, regulations and directives, the Instruments may have any maturity from one month to perpetuity.

Any Instruments having a maturity of less than one year from their date of issue must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only 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 or (b) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by the Issuer.

#### **Denominations**

Instruments will be denominated in the Specified Denominations set out in Part A of the relevant Final Terms, save that (i) Instruments will be issued in a minimum denomination of not less than €100,000 (or its equivalent in any other currency as at the date of issue of the Instruments) and (ii) unless otherwise permitted by then current laws and regulations, Instruments which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).

#### **Fixed Rate Instruments**

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms and at maturity.

#### **Floating Rate Instruments**

Floating Rate Instruments will bear interest set separately for each Series as follows:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. and the ISDA Benchmarks Supplement published by the International Swaps and Derivatives Association, Inc. or
- (b) by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be selected by the Issuer prior to issue and specified in the relevant Final Terms. Floating Rate Instruments may also have a maximum interest rate, a minimum interest rate, or both.

#### **Index Linked Instruments**

Payments of interest and principal in respect of Index Linked Instruments will be calculated by reference to an Index Ratio, derived from either:

- (a) the U.K. Retail Prices Index (the “**RPI**”) (all items) published by the Office for National Statistics or the relevant successor index (“**RPI Linked Instruments**”);
- (b) the U.K. Consumer Prices Index (the “**CPI**”) (all items) published by the Office for National Statistics or the relevant successor index (“**CPI Linked Instruments**”); or
- (c) the U.K. Consumer Prices Index including Owner Occupiers’ Housing costs and Council Tax (“**CPIH**”) (all items) published by the Office for National Statistics or

the relevant successor index (“**CPIH Linked Instruments**”).

**Interest Periods, Rates of Interest and Adjustment to the Rates of Interest**

The length of the interest periods for the Instruments and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Instruments may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Instruments to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Benchmark Discontinuation**

On the occurrence of a Benchmark Event, an Independent Adviser (as defined in Condition 4.3.5) may determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments in accordance with Condition 4.3.7.

**Redemption**

The relevant Final Terms will specify the basis for calculating the redemption amounts payable.

**Optional Redemption**

The Final Terms issued in respect of each issue of Instruments will state whether such Instruments may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

If specified in the applicable Final Terms, the Issuer will have the option to redeem or purchase the Instruments early at a make-whole amount determined in accordance with Condition 6.5.3, or otherwise at any other amount specified, and at any time(s) specified, in such Final Terms.

The Issuer may elect to redeem all, but not some only, of the Instruments of any Series at their Residual Holding Redemption Amount (as set out in the relevant Final Terms) at any time if the Residual Holding Percentage (as set out in the relevant Final Terms) or more of the aggregate principal amount of such Instruments originally issued shall have been redeemed or purchased and cancelled.

**Redemption at the option of the Instrumentholders on a Restructuring Event**

The Instrumentholders will have the option to redeem their Instruments early in the event of certain materially prejudicial events in respect of OpCo’s gas transporter licence and a consequential negative rating action.

**Status of Instruments**

The Instruments will constitute unsubordinated and (subject to Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer, as described in “*Terms and Conditions of the Instruments – Status*”.

**Status of the Guarantee**

The payment obligations of the Guarantor under the Guarantee shall, subject to such exceptions as are from time to time applicable under the laws of England (and subject to the negative pledge provision), rank equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Guarantor.

<b>Negative Pledge</b>	The Instruments will contain a negative pledge provision.
<b>Cross-Acceleration</b>	The events of default in respect of the Instruments contain a cross-acceleration event of default (subject to a threshold carve-out of £50,000,000 or its equivalent in any other currency) all as more fully described under “ <i>Terms and Conditions of the Instruments</i> ”.
<b>Events of Default</b>	<p>If any of the events in Condition 10.1 from (a) to (j) occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least one quarter in principal amount of the Instruments then outstanding or if so directed by way of Extraordinary Resolution shall, give notice to the Issuer that the Instruments are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount together (if applicable) with accrued interest to the date of payment.</p> <p>The Events of Default also include a cross-acceleration provision and a Net Debt to RAV Ratio (equal to or greater than 70 per cent.) provision (subject to a cure right).</p>
<b>Early Redemption</b>	Except as provided in “ <i>Optional Redemption</i> ” above and subject always to any laws, regulations and directives applicable to the relevant currency in which such Instruments are denominated, Instruments will be redeemable at the option of the Issuer prior to maturity only for tax reasons and, in the case of Index Linked Instruments only, for reasons related to the relevant index. See “ <i>Terms and Conditions of the Instruments – Redemption, Purchase and Options</i> ”.
<b>Withholding Tax</b>	All payments of principal and interest in respect of the Instruments and the Coupons or under the Guarantee will be made free and clear of withholding taxes of the United Kingdom save as required by law. In the event that any deduction or withholding on account of tax is required to be made, the Issuer (or, as the case may be, the Guarantor) shall, in the circumstances provided in “ <i>Terms and Conditions of the Instruments – Taxation</i> ” and subject to the exceptions therein, pay additional amounts so as to compensate the Instrumentholder or, as the case may be, Couponholder for the amounts withheld or deducted.
<b>Governing Law</b>	English.
<b>Listing</b>	Each Series may be admitted to the Official List and admitted to trading on the Market or the PSM.
<b>Ratings</b>	<p>The Programme has been rated ‘Baa1 (stable)’ by Moody’s, ‘BBB+ (Issuer Default Rating and Stable outlook)’ by Fitch and ‘BBB+ (stable)’ by S&amp;P. Moody’s, Fitch and S&amp;P are each established in the European Union and each are registered under the CRA Regulation.</p> <p>Tranches of Instruments (as defined in “<i>Overview of the Programme</i>”) to be issued under the Programme may be rated or unrated. Where a Tranche of Instruments is rated,</p>

such rating will not necessarily be the same as the rating assigned to the Instruments already issued. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

### **Selling Restrictions**

United States, United Kingdom, United Kingdom, Prohibition of Sales to European Economic Area Retail Investors and Japan. See "*Plan of Distribution*".

Category 2 selling restrictions will apply to the Instruments and the Guarantee for the purposes of Regulation S under the Securities Act.

The Instruments will be issued in compliance with U.S. Treas. Reg. §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 U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) ( "**TEFRA D**") unless (a) the relevant Final Terms states that Instruments are issued in compliance with U.S. Treas. Reg. §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 Code) ( "**TEFRA C**") or (b) the Instruments are issued other than in compliance with TEFRA D Rules or TEFRA C but in circumstances in which the Instruments will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

### **Terms and Conditions**

The Terms and Conditions applicable to each Series will be as agreed between the Issuer, the Guarantor, the Trustee and the relevant Dealer(s) or other purchaser at or prior to the time of issuance of such Series and will be specified in the relevant Final Terms.

## **RISK FACTORS**

*The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their respective obligations under Instruments issued under the Programme or their obligations under the Guarantee, as applicable. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with Instruments issued under the Programme are also described below.*

*The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Instruments issued under the Programme, but the Issuer or the Guarantor may be unable to pay interest, principal or other amounts on or in connection with any Instruments for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding any Instruments are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's and the Guarantor's ability to fulfil their respective obligations under or in connection with the Instruments**

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

FinCo's only business is to act as a finance subsidiary of the Guarantor and it has no assets other than the amounts representing the proceeds of its issued and paid-up share capital, such fees (if any) payable to it in connection with the issue of the Instruments (or other similar instruments) or entry into of other obligations from time to time and any on-loan made by it of the proceeds of the issue of any Instruments (or other similar instruments). Therefore, FinCo is subject to all risks to which the Guarantor is subject, to the extent that such risks could limit the Guarantor's ability to satisfy, in full and on a timely basis, its obligations under or in connection with the Guarantee and the Instruments. See "*Risks relating to the Guarantor*" below.

#### **Risks relating to the Guarantor**

##### ***Potentially harmful activities***

*Aspects of Cadent's activities could potentially harm employees, contractors, members of the public or the environment.*

Potentially hazardous activities that arise in connection with the Guarantor include the storage, transmission and distribution of gas. Gas utilities also typically use and generate hazardous and potentially hazardous products and by-products. In addition, there may be other aspects of Cadent's activities that are not currently regarded or proved to have adverse effects but could become so. A significant safety or environmental incident, or the failure of Cadent's safety processes or of its occupational health plans, as well as a breach of applicable regulatory or contractual obligations or the business's climate change targets, could materially adversely affect Cadent's results of operations and its reputation. The business currently commits significant resources and expenditure to process safety and to monitoring personal safety, occupational health and environmental performance, and to meeting Cadent's obligations under negotiated settlements. The business is also subject to laws and regulations

governing health and safety matters to protect the public and its employees and contractors, who could potentially be harmed by these activities, as well as laws and regulations relating to pollution, the protection of the environment, and the use and disposal of hazardous substances and waste materials. These expose the business to costs and liabilities relating to the business' operations and properties, including those inherited from predecessor bodies, whether currently or formerly owned by the Guarantor Group and sites used for the disposal of its waste. The cost of future environmental remediation obligations is often inherently difficult to estimate and uncertainties can include the extent of contamination, the appropriate corrective actions and the Guarantor's share of the liability. The business is increasingly subject to regulation in relation to climate change and is affected by requirements to reduce the business's own carbon emissions as well as to enable reduction in energy use by its customers. If more onerous legal requirements are imposed or the business's ability to recover these costs under regulatory frameworks changes, this could have a material adverse impact on Cadent's business, reputation, results of operations and financial position.

### ***Infrastructure and IT systems***

*The Guarantor may suffer a major network failure or interruption or may not be able to carry out critical operations due to the failure of infrastructure, data or technology or a lack of supply.*

Operational performance could be materially adversely affected by a failure to maintain the health of the assets or networks, inadequate forecasting of demand, inadequate record keeping or control of data or failure of information systems and supporting technology. This in turn could cause Cadent to fail to meet agreed standards of service, incentive and reliability targets, or be in breach of a licence, approval, regulatory requirement or contractual obligation. Even incidents that do not amount to a breach could result in adverse regulatory and financial consequences, as well as harming the business's reputation. Where demand for gas exceeds supply and the upstream balancing mechanisms are not able to mitigate this fully, a lack of supply to consumers may damage the business's reputation. In addition to these risks, Cadent may be affected by other potential events that are largely outside its control such as the impact of weather (including as a result of climate change and major storms), unlawful or unintentional acts of third parties, insufficient or unreliable supply or force majeure. Weather conditions can affect financial performance and severe weather that causes outages or damages infrastructure, together with Cadent's actual or perceived response, could materially adversely affect operational and potentially business performance and the business's reputation. Malicious attack, sabotage or other intentional acts, including breaches of the business's cyber security, may also damage its assets (which include critical national infrastructure) or otherwise significantly affect corporate activities and, as a consequence, have a material adverse impact on its reputation, business, results of operations and financial condition. Unauthorised access to, or deliberate breaches of, the business's IT systems may also lead to manipulation of the business's proprietary business data or customer information. Unauthorised access to private customer information may make the Guarantor liable for a violation of data privacy regulations. Even where the business establishes business continuity controls and security against threats against its systems, these may not be sufficient.

### ***Law and regulation***

*Changes in law or regulation or decisions by governmental bodies or regulators could materially adversely affect the Guarantor.*

Cadent is subject to regulation by the U.K. Government, the Office of Gas and Electricity Markets ("**Ofgem**") and other authorities. Changes in law or regulation or regulatory policy and precedent, including decisions of governmental bodies or regulators, could materially adversely affect the Guarantor. If the business fails to engage in the energy policy debate, it may not be able to influence future energy policy and deliver its strategy. Decisions or rulings concerning, for example: (i) whether licences, approvals or agreements to operate or supply are granted, amended or renewed, whether

consents for construction projects are granted in a timely manner or whether there has been any breach of the terms of a licence, approval or regulatory requirement; and (ii) timely recovery of incurred expenditure or obligations, the ability to pass through commodity costs, a decoupling of energy usage and revenue, and other decisions relating to the impact of general economic conditions on the Guarantor, its markets and customers, implications of climate change and of advancing energy technologies, whether aspects of its activities are contestable, the level of permitted revenues and dividend distributions for the business and in relation to proposed business development activities, could have a material adverse impact on Cadent's results of operations, cash flows, the financial condition of its businesses and the ability to develop those businesses in the future.

*The Guarantor may be exposed to political, social and macroeconomic risks relating to the uncertainties surrounding the United Kingdom's anticipated exit from the European Union. The implications of such an exit are unknown.*

On 23 June 2016, the United Kingdom voted in a national referendum to withdraw from the European Union and on 29 March 2017 the UK Government triggered the official process for withdrawing from the European Union under article 50 of the Treaty on the European Union relating to withdrawal of the European Union. Under article 50, each of the Treaty on the European Union and the Treaty on the Functioning of the European Union cease to apply in the relevant state from the date of entry into force of a withdrawal agreement or, failing that, two years after the notification of intention to withdraw, although this period may be extended in certain circumstances.

Regardless of any eventual timing or terms of the United Kingdom's exit from the European Union, the June referendum and article 50 invocation has created political, social and macroeconomic uncertainty.

EU-derived law applies or has been implemented in the United Kingdom across a wide range of areas, including securities regulation, data protection, intellectual property and tax (including customs and tariff regulation), and it is unclear when, how and to what extent U.K. law in these areas will diverge from European rules and regulation. The withdrawal of the United Kingdom from the European Union may affect Cadent in a number of ways. For example, a change in the UK's customs and tariff regulation may impact Cadent's supply chain which could affect its overall operations and delivery. Political uncertainty may trigger a change in government which increases the risk of renationalisation (see "*Renationalisation of the gas industry*" below). Furthermore, if the United Kingdom withdraws from the internal energy market this may have an adverse impact on the Guarantor.

While there is no certainty at this stage, there is potential that these risks may result in lower revenue and or higher operating costs which could have a material adverse effect on Cadent's prospects, financial condition and results of operations.

#### *Renationalisation of the gas industry*

Cadent and the UK gas industry generally face increased scrutiny from regulators and key stakeholders, including the government and other political parties. The government's official opposition, the UK Labour Party, stated in its manifesto for the 2017 UK General Election that, were it to win, it would renationalise the gas industry. 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 2018) to bring key utilities back into public ownership if elected in the future.

Following the 2017 UK General Election, there has been continued discussion and public and political comment on renationalisation. It is currently unclear what impact any renationalisation would have on Instrumentholders as there is no formal proposal or legislation in existence. Accordingly, future intervention by any government in the gas markets, changes in governmental policy or any future renationalisation policy may affect the Issuer's ability to meet its obligations under the Instruments.

## **Business performance**

*Current and future business performance may not meet the Guarantor's expectations or those of Ofgem.*

Earnings maintenance and growth from Cadent will be affected by its ability to meet or exceed efficiency targets and service quality standards set by, or agreed with, Ofgem. If Cadent does not meet these targets and standards, or if it does not implement the transformation projects it is carrying out as envisaged, or is not able to deliver its RIIO operating model (see "*Description of the Guarantor – RIIO price controls*") successfully, it may not achieve the expected benefits, its business may be materially adversely affected and its performance, results of operations and reputation may be materially harmed and it may be in breach of regulatory or contractual obligations.

- In early 2018, Cadent identified that a number of high-rise buildings were not on its records and therefore were not part of the 10-year rolling survey programme for long life assets. Cadent immediately implemented a survey recovery programme to resolve the issue as quickly and effectively as possible. The recovery programme was completed on 24 September 2018. Cadent also informed the Health and Safety Executive and Ofgem who opened investigations into this issue. Both of the investigations could result in a financial penalty against Cadent in accordance with the respective guidelines that apply. However, the investigations are at too early a stage for Cadent to provide any indication of the likely outcome or any associated reputational harm. Cadent continues to work with the Health and Safety Executive and Ofgem as they progress their investigations.
- On Friday 30 November 2018, Ofgem initiated discussions with Cadent in relation to its concerns over interruptions performance across its networks. Discussions are at an early stage and Cadent will continue to cooperate with Ofgem on this matter.

Such events could have an adverse impact on the Guarantor's business, results of operations, prospects and reputation.

## **Midco Financing**

Cadent's shareholders put in place an investment grade financing platform in a ring-fenced group of regulated companies at the level of the direct holding company ("**Quadgas Midco**") of Cadent's regulated business (the "**Midco Financing**"). The Guarantor has made certain representations and given certain undertakings under the Midco Financing (for further details of the representations made and undertakings given, see "*Description of the Guarantor – Midco Financing*"). To the extent that the Guarantor is in breach of any of such representations and covenants, there is a risk that action may be taken against it by way of a claim in damages for breach of contract under the Midco Financing. To the extent any such claim against the Guarantor is successful, this may reduce the amount of funds available to the Guarantor, which may in turn have an adverse effect on the Guarantor's ability to meet its payment obligations in respect of the Instruments.

## **Growth and business development activity**

*Failure by the Guarantor to respond to external market developments and execute its growth strategy may negatively affect its performance. Conversely, new businesses or activities that Cadent undertakes alone, or with partners, may not deliver target outcomes and may expose Cadent to additional operational and financial risk.*

Failure by the Guarantor to grow its core businesses sufficiently and have viable options for new future business over the longer term or failure to respond to the threats and opportunities presented by emerging technology (including for the purposes of adapting Cadent's networks to meet the challenges of increasing distributed energy resources) could negatively affect its credibility and reputation and

jeopardise the achievement of its intended financial returns. The Guarantor's business development activities and the delivery of its growth ambition include joint ventures, partnering and organic investment opportunities, such as development activities relating to changes to the energy mix and the integration of distributed energy resources and other advanced technologies. These are subject to a wide range of both external uncertainties (including the availability of potential investment targets and attractive financing) and internal uncertainties (including actual performance of the business and its business planning model assumptions and ability to integrate acquired businesses effectively). As a result, Cadent may suffer unanticipated costs and liabilities and other unanticipated effects. The business may also be liable for the past acts, omissions or liabilities of companies or businesses it has acquired, which may be unforeseen or greater than anticipated. In the case of joint ventures, Cadent may have limited control over operations and its joint venture partners may have interests that diverge from the business's interests. The occurrence of any of these events could have a material adverse impact on Cadent's results of operations or financial condition and could also impact its ability to enter into other transactions.

### **Cost escalation**

*Changes in foreign currency rates, interest rates or commodity prices could materially impact the Guarantor's earnings or its financial condition.*

Cadent's results of operations and net debt position may be affected because a significant proportion of its borrowings, derivative financial instruments and commodity contracts are affected by changes in interest rates, commodity price indices and exchange rates. Furthermore, the business's cash flow may be materially affected as a result of settling hedging arrangements entered into to manage its exchange rate and interest rate exposure, which also depend on the sterling exchange rate into Euro and other currencies.

*The Guarantor's results of operations could be affected by inflation or deflation.*

Cadent's allowed revenues are set in real terms and then adjusted for actual retail prices index ("RPI") inflation. There is a risk that inflationary impacts on the business's costs are higher than RPI inflation and are not fully compensated by this inflation adjustment to revenues. There is also a risk that year-on-year RPI inflation is negative with no corresponding decrease in costs or insufficient decrease to offset the impact on revenues. Such increased costs may materially adversely affect the business's results of operations.

*The Guarantor may be required to make significant contributions to fund its defined benefit pension scheme.*

A significant number of Cadent's employees are members of a defined benefit scheme where the scheme assets are held independently of the business's own financial resources. Estimates of the amount and timing of future funding for the scheme are based on actuarial assumptions and other factors including the actual and projected market performance of the scheme assets, future long-term bond yields; average life expectancies and relevant legal requirements. Actual performance of scheme assets may be affected by volatility in debt and equity markets. Changes in these assumptions and other factors may require the Guarantor to make additional contributions to this pension scheme which, to the extent they are not recoverable under its price controls, could materially adversely affect the business's results of operations and financial condition.

### **Financing and liquidity**

*An inability to access capital markets at commercially acceptable interest rates could affect how the Guarantor maintains and grows its businesses.*

Cadent is financed through cash generated from its ongoing operations, bank lending facilities and the capital markets, particularly the long-term debt capital markets. Some of the debt issued by the Issuer

is rated by credit rating agencies and changes to these ratings may affect both its borrowing capacity and borrowing costs. In addition, restrictions imposed by Ofgem may also limit how the business services the financial requirements of the Guarantor or the financing of any newly acquired or developing businesses. Financial markets can be subject to periods of volatility and shortages of liquidity. If the business were unable to access the capital markets or other sources of finance at competitive rates for a prolonged period, the business's cost of financing may increase, the discretionary and uncommitted elements of its proposed capital investment programme may need to be reconsidered and the manner in which the business implements its strategy may need to be reassessed.

Such events could have a material adverse impact on the Guarantor's business, results of operations and prospects.

Some of Cadent's regulatory agreements impose lower limits for the long term senior unsecured debt credit ratings that it must hold or the amount of equity within its capital structure. One of the principal limits requires the business to hold an investment grade long term senior unsecured debt credit rating. In addition, some of the business's regulatory arrangements impose restrictions on the way in which it can operate. These include regulatory requirements for the business to maintain adequate financial resources and may restrict its ability to engage in certain transactions, including paying dividends, lending cash and levying charges. The inability to meet such requirements or the occurrence of any such restrictions may have a material adverse impact on the business's business and financial condition.

The Issuer's and its parent companies' debt agreements and banking facilities contain covenants including those relating to the periodic and timely provision of certain financial information by it to lenders and financial covenants such as restrictions on the level of indebtedness that can be incurred by it (see Condition 10.1(c) (*Events of Default – Breach of Gearing Ratio*) of the Instruments and "*Description of the Guarantor*"). Failure to either comply with these covenants or to obtain waivers of those requirements, could in some cases trigger a right, at the lenders' discretion, to require repayment of some of the business's debt and may restrict the business's ability to draw upon its facilities or access the capital markets.

### ***Customers and counterparties***

*Customers and counterparties may not perform their obligations.*

The Guarantor's operations are exposed to the risk that customers, suppliers, banks and other financial institutions and others with whom the business does business will not satisfy their obligations, which could materially adversely affect its financial position. This risk is significant where the business has concentrations of receivables from gas utilities and their affiliates, as well as industrial customers and other purchasers and may also arise where customers are unable to pay the business as a result of increasing commodity prices or adverse economic conditions. To the extent that counterparties are contracted with for physical commodities (gas and electricity) and they experience events that impact their own ability to deliver, Cadent may suffer supply interruption as described in "*Infrastructure and IT systems*" above. There is also a risk to the Guarantor, where it invests excess cash, enters into, derivatives and other financial contracts with banks or other financial institutions. Banks who provide the business with credit facilities may also fail to perform under those contracts.

### ***Employees and others***

*The Guarantor may fail to attract, develop and retain employees with the competencies, including leadership and business capabilities, values and behaviours required to deliver its strategy and values and ensure they are engaged to act in Cadent's best interests.*

The Guarantor's ability to implement its strategy depends on the capabilities and performance of its employees and leadership at all levels of the business. Its ability to implement its strategy and vision may be negatively affected by the loss of key personnel or an inability to attract, integrate, engage and retain appropriately qualified personnel, or if significant disputes arise with its employees. As a result, there may be a material adverse effect on business, financial condition, results of operations and prospects. There is a risk that an employee or someone acting on the business's behalf may breach its internal controls or internal governance framework or may contravene applicable laws and regulations. This could have an impact on the business's results of operations, its reputation and its relationship with its regulators and other stakeholders.

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

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

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

#### *Instruments subject to optional redemption by the Issuer*

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

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

#### *Index Linked Instruments*

The Issuer may issue Instruments with principal or interest determined by reference to an index. Potential investors should be aware that:

- (i) the market price of such Instruments may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time than expected;
- (iv) the amount of principal payable at redemption may be less than the principal amount of such Instruments or even zero;
- (v) an index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) the timing of changes in an index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the relevant index, the greater the effect on yield.

#### *Fixed/Floating Rate Instruments*

Fixed/Floating Rate Instruments may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Instruments since the Issuer

may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Instruments may be less favourable than the prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Instruments. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Instruments.

*Regulation and reform of LIBOR, EURIBOR or other “benchmarks” could adversely affect any Instruments linked to such “benchmarks”*

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 Instruments referencing or linked to such benchmark.

In 2012, a review, undertaken at the request of the UK government, on the setting and usage of LIBOR, resulted in an initiative to devise new methodologies for determining representative inter-bank lending rates and, ultimately, so-called ‘risk free’ rates that may be used as an alternative to LIBOR in certain situations.

Following this review, the International Organisation of Securities Commissions (“**IOSCO**”) created a task force to draft principles to enhance the integrity, reliability and oversight of benchmarks generally. This resulted in publication by the Board of IOSCO, in July 2013, of nineteen principles which are to apply to benchmarks used in financial markets (the “**IOSCO Principles**”). The IOSCO Principles provide an overarching framework for benchmarks used in financial markets and are intended to promote the reliability of benchmark determinations and address benchmark governance, quality and accountability mechanisms. The Financial Stability Board (“**FSB**”) subsequently undertook a review of major interest rate benchmarks and published a report in 2014, outlining its recommendations for change, to be implemented in accordance with the IOSCO Principles. In addition, in June 2016, Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the “**BMR**”) came into force. The BMR implements a number of the IOSCO Principles and the majority of its provisions apply from 1 January 2018.

In a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the Financial Conduct Authority (the “**FCA**”), questioned the sustainability of LIBOR in its current form, given that the underlying transactions forming the basis of the benchmark are insufficient to support the volumes of transactions that rely upon it, and made clear the need to transition away from LIBOR to alternative reference rates. He noted that there was support among the LIBOR panel banks for voluntarily sustaining LIBOR until the end of 2021, facilitating this transition. At the end of this period, it is the FCA’s intention not to sustain LIBOR through its influence or legal powers by persuading or obliging banks to submit to LIBOR. Therefore, the continuation of LIBOR in its current form (or at all) after 2021 cannot be guaranteed. In a further speech on 12 July 2018, Andrew Bailey emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021.

Other interbank offered rates such as EURIBOR (the European Interbank Offered Rate) (together with LIBOR, the “**IBORs**”) suffer from similar weaknesses to LIBOR and as a result (although no deadline has been set for their discontinuation), they may be discontinued or be subject to changes in their administration.

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

Whilst alternatives to certain IBORs for use in the bond market (including SONIA (for Sterling LIBOR) and rates that may be derived from SONIA) are being developed, in the absence of any legislative measures, outstanding notes linked to or referencing an IBOR will only transition away from such IBOR in accordance with their particular terms and conditions.

Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates during the term of the Instruments and the return on the Instruments and the trading market for LIBOR-based securities. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest provisions of the Terms and Conditions (as further described below and in Condition 4.3.7), or result in other consequences, in respect of any Instruments linked to such benchmark (including but not limited to Floating Rate Instruments whose interest rates are linked to LIBOR).

In particular, the Benchmark Regulation came into force on 1 January 2018. The Benchmark Regulation applies to "contributors", "administrators" and "users" of "benchmarks" in the EU, and, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised) and to comply with extensive requirements in relation to the administration of "benchmarks" (or, if non-EU-based, to be subject to equivalent requirements) and (ii) prevents certain uses by EU supervised entities of "benchmarks" of unauthorised administrators. The Benchmark Regulation could have a material impact on any Instruments linked to a "benchmark", 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 the published rate or level of the benchmark.

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

In addition, 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".

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Instruments is to be determined, the Conditions provide that the Rate of Interest shall

be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Instruments.

If a Benchmark Event (as defined in Condition 4.3.5) (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest will result in Instruments linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Independent Adviser, the Conditions provide that 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 Instrumentholders.

If a Successor Rate or Alternative Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread may be determined by the Independent Adviser and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Instrumentholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Instrumentholders and Couponholders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in Instruments linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

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 terms and conditions of the Instruments.

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 Rate of Interest for the next succeeding Interest Accrual Period will be the Rate of Interest 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 Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or, the Independent Adviser has failed to determine a Successor Rate or Alternative Rate in respect of any given Interest Accrual Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Interest Accrual Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event will result in Instruments linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or, the Independent Adviser fails to determine a Successor Rate or Alternative Rate for the life of the relevant Instruments, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Floating Rate Instruments, in effect, becoming fixed rate Instruments.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Instruments is to be determined, the Conditions provide that the Rate of Interest in respect of the Instruments shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions and the ISDA Benchmark Supplement. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Instruments.

*Instruments issued at a substantial discount or premium*

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

*Green Instruments may not be a suitable investment for all investors seeking exposure to green assets*

Prospective investors who intend to invest in the Green Instruments issued under the Programme must determine for themselves the relevance of the information in the relevant Final Terms (for example, regarding the use of proceeds) for the purpose of any investment in the Green Instruments together with any other investigation such investors deem necessary. In particular, no assurance is or can be given to investors that the Eligibility Criteria or the Eligible Green Portfolio (each as defined in "Use of Proceeds") will meet or continue to meet on an ongoing basis any or all investor expectations regarding investment in "green instruments", "green" or "sustainable" or equivalently-labelled projects.

In connection with the issue of Green Instruments under the Programme, the Issuer and/or the Guarantor may request consultants and/or institutions with recognised expertise in environmental sustainability to issue an opinion (i) confirming that the Eligible Green Portfolio (as defined in "Use of Proceeds") has been defined in accordance with the broad categorisation of eligibility for green projects set out by ICMA's 2018 Green Bond Principles; and/or (ii) regarding the suitability of the Green Instruments as an investment in connection with certain environmental and sustainability projects (any such opinion, an "External Review"). Any External Review is not, nor shall be deemed to be,

incorporated in and/or form part of this Prospectus. An External Review may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Green Instruments or the Eligible Green Portfolio. An External Review would not constitute a recommendation to buy, sell or hold securities and would only be current as of the date it is released. Prospective investors must determine for themselves the relevance of any External Review and/or the information contained therein and/or the provider of any External Review for the purpose of any investment in the Green Instruments. In particular, no assurance or representation is or can be given to investors that the External Review will reflect any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. The Instrumentholders have no recourse against the provider of any External Review. In addition, although the Issuer may agree at the time of issue of any Green Instruments to certain reporting and use of proceeds obligations it would not be an event of default under the Instruments if the Issuer fails to comply with such obligations. A withdrawal of an External Review may affect the value of such Green Instruments and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

Furthermore, it should be noted that no member of the Guarantor Group, none of the Arranger nor the Dealers nor any other person makes any representation as to the suitability of Green Instruments to fulfil environmental and sustainability criteria required by prospective investors. No member of the Guarantor Group is responsible for any third party assessment of the Eligibility Criteria, nor is any Arranger or Dealer responsible for (i) any assessment of the Eligibility Criteria, (ii) any verification of whether the Eligible Green Projects meet the Eligibility Criteria, or (iii) the monitoring of the use of proceeds. Investors should refer to the Issuer's website and any External Review for further information.

#### ***Risks related to Instruments generally***

Set out below is a description of material risks relating to the Instruments generally:

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

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

The Terms and Conditions of the Instruments also provide that the Trustee may, without the consent of Instrumentholders, agree to (a) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, (b) any Benchmark Amendments (as defined in the Conditions) in the circumstances and as otherwise set out in Condition 4.3.7, (c) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Instrumentholders or (d) the substitution of another company as principal debtor under any Instruments in place of the Issuer or the Guarantor, in the circumstances described in Condition 12 of the Instruments.

Pursuant to Condition 12.2 of the Instruments, the Issuer and Guarantor have reserved the right, at any time and without Instrumentholder consent, to modify the Terms and Conditions in order to introduce additional covenants or restrictions to the terms of the Instruments if necessary or desirable at the relevant time in order to enable or facilitate any holding company of the Guarantor to raise indebtedness (which, accordingly, would be structurally subordinated indebtedness), provided that a director of each of the Issuer and the Guarantor has certified to the Trustee that the addition of any such covenants or restrictions applicable to the Issuer and/or the Guarantor under the Instruments is not materially prejudicial to Instrumentholders (upon which certificate the Trustee may rely absolutely, without further investigation and enquiry, and without liability to any persons). In addition, pursuant to Condition 4.3.7,

certain changes may be made to the interest calculation provisions of the Floating Rate Notes in the circumstances set out in Condition 4.3.7, without the requirement for the consent of the Trustee or the Instrumentholders. See “*Regulation and reform of LIBOR, EURIBOR or other “benchmarks” could adversely affect any Notes linked to such “benchmarks”*” above.

#### *Change of law*

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

#### *Specified Denominations*

The Instruments are issued in the Specified Denomination shown in the relevant Final Terms. Such Final Terms may also state that the Instruments will be tradable in the Specified Denomination and integral multiples in excess thereof but which are smaller than the Specified Denomination. Where such Instruments are traded in the clearing systems, it is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the Specified Denomination.

If Definitive Instruments are required to be issued in relation to such Instruments, a holder who does not hold a principal amount of Instruments at least equal to the Specified Denomination in his account at the relevant time, may not receive all of his entitlement in the form of Definitive Instruments and, consequently, may not be able to receive interest or principal in respect of all of his entitlement, unless and until such time as his holding becomes at least equal to the Specified Denomination.

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

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

##### *The secondary market generally*

Instruments may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Instruments easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Instruments that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Instruments generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Instruments.

##### *The Clearing Systems*

Because the Global Instruments may be held by or on behalf of Euroclear and Clearstream, Luxembourg investors will have to rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer.

Instruments issued under the Programme may be represented by one or more temporary Global Instruments or permanent Global Instruments. Such Global Instruments may be deposited with the Common Depositary or Common Safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive Definitive Instruments. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the Global Instruments. While the Instruments are represented by one or

more Global Instruments, investors will be able to trade their interests only through Euroclear or Clearstream, Luxembourg.

While Instruments are represented by one or more Global Instruments, the Issuer will discharge its payment obligations under such Instruments by making payments to the Common Depositary or a Common Service Provider, as the case may be, for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in a Global Instrument must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Instruments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, interests in the Global Instruments.

Holders of interests in the Global Instruments will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear or Clearstream, Luxembourg.

#### *Exchange rate risks and exchange controls*

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

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

#### *Interest rate risks*

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

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

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

See also "*Description of the Guarantor – Credit Ratings*".

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended).

## TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following is the text of the terms and conditions which, save for the text in italics and subject to completion by Part A of the relevant Final Terms, will be endorsed on the Instruments in definitive form (if any) issued in exchange for the Global Instrument(s) representing each Series. Either (a) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (b) these terms and conditions as so completed (and subject to simplification by the dis-application of non-applicable provisions), shall be endorsed on such Instruments. All capitalised terms which are not defined in these Conditions will have the meanings given to them in the Trust Deed or Part A of the relevant Final Terms. Those definitions will be endorsed on the Definitive Instruments. References in these terms and conditions to “Instruments” are to the Instruments of one Series only of the Issuer (as defined below), not to all Instruments that may be issued under the Programme. In the case of PSM Instruments issued under the Programme, references to the Final Terms in these Terms and Conditions shall be construed as references to the Pricing Supplement.*

Cadent Finance plc (the “**Issuer**”) has established a Euro Medium Term Note Programme (the “**Programme**”) for the issuance of debt instruments (the “**Instruments**”).

The Instruments are constituted by an Amended and Restated Trust Deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated on or around 19 December 2018 between the Issuer, Cadent Gas Limited (the “**Guarantor**”) and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Instrumentholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Definitive Instruments, the Coupons and Talons referred to below. An Amended and Restated Agency Agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated on or around 14 December 2017 has been entered into in relation to the Instruments between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agent(s) named in it. The issuing and paying agent, the paying agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Issuing and Paying Agent**”, the “**Paying Agents**” (which expression shall include the Issuing and Paying Agent) and the “**Calculation Agent(s)**”. Copies of the Trust Deed and the Agency Agreement are available for inspection by prior appointment during usual business hours at the registered office of the Trustee (as at 19 December 2018 at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified offices of the Paying Agents.

The Instrumentholders, the holders of the interest coupons (the “**Coupons**”) appertaining to interest bearing Instruments and, where applicable in the case of such Instruments, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed (including the Guarantee (as defined below)) and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

### 1 Form, Denomination and Title

The Instruments are issued in bearer form in the Specified Denomination(s) specified in the relevant Final Terms and are serially numbered. Instruments of one Specified Denomination are not exchangeable for Instruments of another Specified Denomination. The Instruments will be issued in a minimum denomination of not less than €100,000 or the equivalent in any other currency on the relevant Issue Date.

This Instrument is a Fixed Rate Instrument, a Floating Rate Instrument, an Index Linked Interest Instrument or an Index Linked Redemption Instrument, or a combination of any of the preceding, depending upon the Interest and Redemption/Payment Basis specified in the relevant Final Terms.

Instruments are issued with Coupons (and, where appropriate, a Talon) attached. Talons may be required if more than twenty-seven coupon payments are to be made with regards to the relevant Instruments.

Title to the Instruments and the Coupons and Talons shall pass by delivery and, except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Guarantor and the Paying Agents shall be entitled to treat the bearer of any Instrument, Coupon or Talon as the absolute owner of that Instrument, Coupon or Talon, as the case may be, and shall not be required to obtain any proof of ownership as to the identity of the bearer.

In these Conditions, “**Instrumentholder**” means the bearer of any Instrument of one Series only of the Issuer, “**holder**” (in relation to an Instrument, Coupon or Talon) means the bearer of any Instrument, Coupon or Talon and capitalised terms have the meanings given to them herein, the absence of any such meaning indicating that such term is not applicable to this Instrument.

## 2 Status and Guarantee

### 2.1 Status

The Instruments and Coupons relating to them constitute direct, unconditional and (subject to Condition 3) unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves. The payment obligations of the Issuer under the Instruments and Coupons and of the Guarantor under the Guarantee shall, subject to such exceptions as are from time to time applicable under the laws of England (and subject to Condition 3), rank equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Issuer and the Guarantor, respectively.

### 2.2 Guarantee

The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Instruments and the Coupons. Its obligations in that respect (the “**Guarantee**”) are contained in the Trust Deed.

## 3 Negative Pledge

For so long as any Instrument or Coupon remains outstanding (as defined in the Trust Deed), save for any Permitted Security neither the Issuer nor the Guarantor will create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“**Security**”) or Quasi-Security upon the whole or any part of its undertaking, assets or revenues (including any uncalled capital) present or future to secure any Financial Indebtedness (as defined in Condition 10.3), or any guarantee of or indemnity in respect of any Financial Indebtedness, unless, at the same time or prior thereto, the Issuer’s obligations under the Instruments, the Coupons and the Trust Deed (a) are secured equally and rateably therewith to the satisfaction of the Trustee, or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Instrumentholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Instrumentholders.

In these Conditions:

“**Permitted Security**” means

- (a) any Security or Quasi-Security existing as at 1 October 2016 provided however that the principal amount secured has not been increased since 1 October 2016;

- (b) any Security or Quasi-Security arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by any member of the Guarantor Group (as defined in Condition 10.3);
- (c) any netting or set-off arrangement entered into by any member of the Guarantor Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of the Guarantor Group;
- (d) any payment or close-out netting or set-off arrangement pursuant to any Hedging Arrangement (as defined in Condition 10.3) or foreign exchange transaction entered into by a member of the Guarantor Group, excluding any Security or Quasi-Security under a credit support arrangement;
- (e) any Security or Quasi-Security over or affecting any asset of any company which becomes a member of the Guarantor Group, where the Security or Quasi-Security is created prior to the date on which that company becomes a member of the Guarantor Group if:
  - (i) the Security or Quasi-Security was not created in contemplation of the acquisition of that company;
  - (ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that company; and
  - (iii) the Security or Quasi-Security is removed or discharged within three months of that company becoming a member of the Guarantor Group;
- (f) any Security or Quasi-Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a member of the Guarantor Group in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any member of the Guarantor Group;
- (g) any Quasi-Security arising as a result of a disposal;
- (h) any Security or Quasi-Security arising as a consequence of any finance or capital lease;
- (i) any Security or Quasi-Security arising as a result of legal proceedings discharged within 30 days or otherwise being contested in good faith;
- (j) any Security or Quasi-Security over any rental deposits in respect of real estate leased or licensed by any member of the Guarantor Group in respect of amounts representing not more than 12 months' rent or licence fee for that real estate;
- (k) any Security or Quasi-Security over documents of title and goods as part of a documentary credit transaction entered into in the ordinary course of trading;
- (l) any Security or Quasi-Security arising by operation of law in favour of a governmental or taxing authority in respect of Taxes or charges being contested in good faith;
- (m) any Security or Quasi-Security provided by a member of the Guarantor Group to a stock, trade or derivative exchange for the purpose of entering into a Hedging Arrangement;
- (n) any Security or Quasi-Security securing indebtedness the outstanding principal amount of which (when aggregated with the outstanding principal amount of any other indebtedness which has the benefit of Security given by any member of the Guarantor Group other than any permitted under paragraphs (a) to (m) (inclusive) above) does not exceed in aggregate £50,000,000 (or its equivalent in other currencies) at any time; and

- (o) any Security or Quasi-Security approved or consented to by the Instrumentholders acting by way of an Extraordinary Resolution in accordance with the Trust Deed.

**“Quasi-Security”** means any arrangement where a member of the Guarantor Group:

- (a) sells, transfers or otherwise disposes of any of its assets on terms whereby they are or may be leased to or reacquired by a member of the Guarantor Group;
- (b) sells, transfers or otherwise disposes of any of its receivables on recourse terms;
- (c) enters into any arrangement under which money or the benefit of a bank or other account may be applied, set off or made subject to a combination of accounts; or
- (d) enters into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness (as defined in Condition 10.3) or of financing the acquisition of an asset.

**“Taxes”** means any taxes (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) which are now or hereafter imposed, levied, collected, withheld or assessed by any competent taxing authority.

## **4 Interest**

### **4.1 Interest on Fixed Rate Instruments**

Each Fixed Rate Instrument bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4.3.3.

### **4.2 Interest on Floating Rate Instruments and Index Linked Interest Instruments**

#### **4.2.1 Interest Payment Dates**

Each Floating Rate Instrument and Index Linked Interest Instrument bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4.3.3. Such Interest Payment Date(s) is/are either specified in the relevant Final Terms as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are specified in the relevant Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period specified in the relevant Final Terms as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

#### **4.2.2 Business Day Convention**

If any date which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day which is a Business Day; (C)

the Modified Following Business Day Convention, such date shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in that event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

#### 4.2.3 Rate of Interest for Floating Rate Instruments

The Rate of Interest in respect of Floating Rate Instruments for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to any of ISDA Determination, Screen Rate Determination or Linear Interpolation shall apply, depending upon which is specified in the relevant Final Terms.

- (A) ISDA Determination: Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this Condition 4.2.3(A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate which would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and the ISDA Benchmark Supplement and under which:
- (i) the Floating Rate Option is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this Condition 4.2.3(A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

- (B) Screen Rate Determination (LIBOR or EURIBOR): Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following and subject to Condition 4.3.7:
- (i) if the Primary Source for Floating Rate is a Page, subject as provided below, the Rate of Interest shall be:
    - (a) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or
    - (b) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,  
  
in each case appearing on such Page at the Relevant Time on the Interest Determination Date;
  - (ii) if the Primary Source for the Floating Rate is Reference Banks or if paragraph (i)(a) above applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if paragraph (i)(b) above applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of

Interest shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent; and

- (iii) if paragraph (ii) above applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Specified Currency that at least two out of five leading banks selected by the Calculation Agent in the principal financial centre of the country of the Specified Currency or, if the Specified Currency is euro in those Member States of the European Union which are participating in European economic and monetary union as selected by the Calculation Agent (the “**Principal Financial Centre**”) are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (I) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) or (II) to leading banks carrying on business in the Principal Financial Centre; *except that*, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).
- (C) Linear Interpolation: Where Linear Interpolation is specified in the relevant Final Terms as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the Relevant Rate (where Screen Rate Determination is specified in the relevant Final Terms as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified in the relevant Final Terms as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Issuer (acting in good faith and in a commercially reasonable manner) shall instruct the Calculation Agent as to which rate shall apply in order to determine such rate at such time and by reference to such sources as appropriate.

“**Applicable Maturity**” means: (a) in relation to Screen Rate Determination, the period of time designated in the Relevant Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

#### **4.2.4 Rate of Interest for Index Linked Interest Instruments**

The Rate of Interest in respect of Index Linked Interest Instruments for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and interest will accrue accordingly.

### **4.3 Calculation of Interest**

#### **4.3.1 Accrual of Interest**

Interest shall cease to accrue on each Instrument on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 8).

#### **4.3.2 Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding**

- (A) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4.2 above, by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to Condition 4.3.2(B).
- (B) If any Maximum or Minimum Rate of Interest or Maximum or Minimum Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (C) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “unit” means the lowest amount of such currency which is available as legal tender in the country of such currency.

#### **4.3.3 Calculations**

The amount of interest payable per Calculation Amount in respect of any Instrument for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount as specified in the relevant Final Terms, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Instrument for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. 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.

#### 4.3.4 **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts or Optional Put Redemption Amounts**

The Calculation Agent shall, as soon as practicable after the Relevant Time on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Redemption Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Optional Put Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Instrumentholders, any other Calculation Agent appointed in respect of the Instruments that is to make a further calculation upon receipt of such information and, if the Instruments are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4.2.2, the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Instruments become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Instruments shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

#### 4.3.5 **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 spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Instrumentholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) in the case of a Successor Rate, if no such recommendation has been made, or in the case of an Alternative Rate, the Independent Adviser determines, is recognised or acknowledged as being in customary market usage in

international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

- (iii) if the Issuer determines that no such industry standard is recognised or acknowledged, the Independent Adviser determines to be appropriate.

**“Alternative Rate”** means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 4.3.7(B) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Instruments.

**“Benchmark”** means LIBOR or EURIBOR, as may be specified in the relevant Final Terms.

**“Benchmark Amendments”** has the meaning given to it in Condition 4.3.7(D).

**“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 will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date, be permanently or indefinitely discontinued; or
- (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 Instruments, in each case; or
- (v) it has become unlawful for any Calculation Agent or the Issuer to calculate any payments due to be made to any Instrumentholder using the Original Reference Rate.

**“Business Day”** means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **“TARGET Business Day”**); and/or
- (iii) in the case of a currency and/or one or more Business Centres as specified in the relevant Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency or, if no currency is indicated, generally in each of the Business Centres.

“**Calculation Amount**” means the amount specified as such in the relevant Final Terms.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Instrument for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual-ISDA**” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/360**” is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

- (vi) if “**30E/360 (ISDA)**” is specified in the relevant Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

- (vii) if “**Actual/Actual-ICMA**” is specified in the relevant Final Terms,
- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the actual number of days in the Calculation Period divided by the product of (x) the actual number of days in such Determination Period and (y) the number of Determination Periods in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:

- (x) the actual number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods in any year; and
- (y) the actual number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the actual number of days in such Determination Period and (2) the number of Determination Periods in any year,

where:

**“Determination Period”** means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**“Determination Date”** means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

**“Effective Date”** means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such in the relevant Final Terms or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

**“EURIBOR”** means the euro interbank offered rate administered by the European Money Markets Institute (or any other person which takes over the administration of that rate).

**“Independent Adviser”** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4.3.7(A).

**“Interest Accrual Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

**“Interest Amount”** means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Instruments, and unless otherwise specified in the relevant Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; 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 a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London prior to the first day of such

Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

**“Interest Payment Date”** means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms, as the same may be adjusted in accordance with the relevant Business Day Convention.

**“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 unless otherwise specified in the applicable Final Terms.

**“Interest Period Date”** means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

**“ISDA Benchmark Supplement”** means the ISDA Benchmarks Supplement as published by the International Swaps and Derivatives Association, Inc., as may be amended or supplemented from time to time.

**“ISDA Definitions”** means the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc., as may be amended or supplemented from time to time.

**“LIBOR”** means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate).

**“Original Reference Rate”** means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Instruments.

**“Page”** means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuters Market 3000 (**“Reuters”**)) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may succeed or replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

**“Rate of Interest”** means the rate of interest payable from time to time in respect of this Instrument and that is either specified in, or calculated in accordance with the provisions of, the relevant Final Terms.

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Residual Holding Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Optional Put Redemption Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of the relevant Final Terms.

**“Reference Banks”** means the institutions specified as such in the relevant Final Terms or, if none, five leading banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that

is most closely connected with the Benchmark (which, if EURIBOR is the relevant Benchmark, shall be Europe).

**“Relevant Financial Centre”** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the financial centre as may be specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected (which, in the case of EURIBOR, shall be Europe) or, if none is so connected, London.

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

- (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 Rate”** means the Benchmark for a Representative Amount of the Specified Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

**“Relevant Time”** means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if no time is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Specified Currency in the interbank market in the Relevant Financial Centre or, if no such customary local time exists, 11.00 hours in the Relevant Financial Centre and, for the purpose of this definition **“local time”** means, with respect to Europe as a Relevant Financial Centre, Brussels time.

**“Representative Amount”** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the amount specified as such in the relevant Final Terms or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

**“Specified Currency”** means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Instruments are denominated.

**“Specified Duration”** means, with respect to any Floating Rate to be determined in accordance with a Screen Rate Determination on an Interest Determination Date, the duration specified in the relevant Final Terms or, if none is specified, a period of time equal to the relevant Interest Accrual Period, ignoring any adjustment pursuant to Condition 4.2.2.

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

“**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 to it.

#### **4.3.6 Calculation Agent and Reference Banks**

The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Instrument is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall (with the prior approval of the Trustee) appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Instruments, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Optional Put Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) which is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as specified in this Condition 4.3.6.

#### **4.3.7 Benchmark Discontinuation**

##### **(A) Independent Adviser**

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then 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 4.3.7(B)) and, in either case, an Adjustment Spread if any (in accordance with Condition 4.3.7(C)) and any Benchmark Amendments (in accordance with Condition 4.3.7(D)).

An Independent Adviser appointed pursuant to this Condition 4.3.7 shall act in good faith as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Trustee, the Calculation Agent, or the Instrumentholders, or the Couponholders for any determination made by it, pursuant to this Condition 4.3.7.

If (x) the Issuer is unable to appoint an Independent Adviser; or (y) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.3.7(A) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Instruments in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be

applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this Condition 4.3.7(A) shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4.3.7(A).

**(B) Successor Rate or Alternative Rate**

If the Independent Adviser determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.3.7(C)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Instruments (subject to the operation of this Condition 4.3.7); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.3.7(C)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Instruments (subject to the operation of this Condition 4.3.7).

**(C) Adjustment Spread**

If the Independent Adviser determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

**(D) Benchmark Amendments**

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4.3.7 and the Independent Adviser, determines (x) that amendments to these Conditions, the Agency Agreement and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (y) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.3.7(E), without any requirement for the consent or approval of Instrumentholders, vary these Conditions, the Agency Agreement 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 Trustee of a certificate signed by two Authorised Signatories of the Issuer pursuant to Condition 4.3.7(E), the Trustee shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Instrumentholders, 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) and the Trustee shall not be liable to any party for any consequences thereof, provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or

liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 4.3.7(D), the Issuer shall comply with the rules of any stock exchange on which the Instruments are for the time being listed or admitted to trading.

**(E) Notices**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.3.7 will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 15, the Instrumentholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

- (i) confirming (a) that a Benchmark Event has occurred, (b) the Successor Rate or, as the case may be, the Alternative Rate and, (c) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 4.3.7; and
- (ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Trustee shall be entitled to rely on such certificate (without enquiry or liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Instrumentholders.

**(F) Survival of Original Reference Rate**

Without prejudice to the obligations of the Issuer under Conditions 4.3.7(A), 4.3.7(B), 4.3.7(C) and 4.3.7(D), the Original Reference Rate and the fallback provisions provided for in Condition 4.2.3(B) will continue to apply unless and until a Benchmark Event has occurred.

## **5 Indexation**

This Condition 5 is applicable only if the relevant Final Terms specifies the Instruments as Index Linked Instruments.

### **5.1 Definitions**

For the purposes of Conditions 5.1 to 5.6, unless the context otherwise requires, the following defined terms shall have the following meanings:

**"Base Index Figure"** means (subject to Condition 5.3(i)) the base index figure as specified in the relevant Final Terms;

“**CPI**” means the U.K. Consumer Prices Index (for all items) published by the Office for National Statistics (2015 = 100) or any comparable index which may replace the U.K. Consumer Prices Index for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any). Where CPI is specified as the Index in the relevant Final Terms, any reference to the “Index Figure” which is specified in the relevant Final Terms as:

- (i) applicable to the first calendar day of any month shall, subject as provided in Conditions 5.3 and 5.5, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (ii) applicable to any other day in any month shall, subject as provided in Conditions 5.3 and 5.5, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in paragraph (i) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in paragraph (i) above and rounded to the nearest fifth decimal place.

“**CPIH**” means the all items consumer prices index including owner occupiers’ housing costs and council tax for the United Kingdom published by the Office for National Statistics (January 2015 = 100) or any comparable index which may replace the all items consumer prices index including owner occupiers’ housing costs and council tax for the United Kingdom for the purpose of calculating the amount payable on repayment of the Indexed Benchmark Gilt (if any). Where CPIH is specified as the Index in the relevant Final Terms, any reference to the “**Index Figure**” which is specified in the relevant Final Terms as:

- (i) applicable to the first calendar day of any month shall, subject as provided in Conditions 5.3 and 5.5, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (ii) applicable to any other day in any month shall, subject as provided in Conditions 5.3 and 5.5, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in paragraph (i) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in paragraph (i) above and rounded to the nearest fifth decimal place;

“**Her Majesty’s Treasury**” means Her Majesty’s Treasury or any officially recognised party performing the function of a calculation agent (whatever such party’s title), on its or its successor’s behalf, in respect of the Reference Gilt;

“**Index**” means, subject as provided in Condition 5.3(i), either RPI, CPI or CPIH as specified in the relevant Final Terms;

“**Indexed Benchmark Gilt**” means the index-linked sterling obligation of the United Kingdom Government listed on the Official List of the Financial Conduct Authority (in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended) and traded on the London Stock Exchange whose average maturity most closely matches that of the Instruments as a gilt-edged market maker or other adviser selected by the Issuer (an “**Indexation Adviser**”) shall determine to be appropriate;

“**Index Figure**” has the definition given to such term in the definition of “CPI”, “CPIH” or “RPI”, as applicable;

“**Index Ratio**” applicable to any month or date, as the case may be, means the Index Figure applicable to such month or date, as the case may be, divided by the Base Index Figure and rounded to the nearest fifth decimal place;

**“Limited Index Ratio”** means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, 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 Date”** means any date falling during the period specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

**“Limited Indexation Factor”** means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, 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 Index Linked Instruments”** means Index Linked Instruments to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies;

**“Redemption Date”** means any date on which the Instruments are redeemed in accordance with Condition 5.6, Condition 6.1, Condition 6.2, Condition 6.4, Condition 6.5, Condition 6.6 or Condition 6.7;

**“Reference Gilt”** means the index-linked Treasury Stock/Treasury Gilt specified as such in the relevant Final Terms for so long as such gilt is in issue, and thereafter such issue of index-linked Treasury Stock/Treasury Gilt determined to be appropriate by an Indexation Adviser; and

**“RPI”** means the U.K. Retail Prices Index (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the U.K. Retail Prices Index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Where RPI is specified as the Index in the relevant Final Terms, any reference to the “Index Figure” which is specified in the relevant Final Terms as:

- (i) applicable to a particular month, shall, subject as provided in Conditions 5.3 and 5.5, be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication; or
- (ii) applicable to the first calendar day of any month shall, subject as provided in Conditions 5.3 and 5.5, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (iii) applicable to any other day in any month shall, subject as provided in Conditions 5.3 and 5.5, be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in paragraph (ii) above and (y) the Index Figure applicable to the first calendar day of the month following, calculated as specified in paragraph (ii) above and rounded to the nearest fifth decimal place.

## 5.2 Application of the Index Ratio

Each payment of interest and principal in respect of the Instruments 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 Index Linked Instruments applicable to the month or date, as the case may be, in or on which such payment falls to be made and rounded in accordance with Condition 4.3.2.

## 5.3 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 month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (1) the definition of “Index” and “Index Figure” in Condition 5.1 shall be deemed to refer to the new date, month or year (as applicable) in substitution for January 1987 (where RPI is specified as the Index in the relevant Final Terms) or 2015 (where CPI or CPIH is specified as the Index in the relevant Final Terms) (or, as the case may be, to such other date, month or year as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the existing Base Index Figure and the Index Figure for the date on which such substitution takes effect, divided by the Index Figure for the date immediately preceding the date on which such substitution takes effect.
- (ii) Delay in publication of RPI if paragraph (i) of the definition of Index Figure for RPI is applicable: If the Index Figure which is normally published in the seventh month and which relates to the eighth month (the “**relevant month**”) before the month in which a payment is due to be made is not published on or before the fourteenth business day before the date on which such payment is due (the “**date for payment**”), the Index Figure applicable to the month in which the date for payment falls shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the U.K. Government for such purpose) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 5.3(i)) before the date for payment.
- (iii) Delay in publication of relevant Index if paragraph (i) and/or (ii) of the definition of Index Figure for CPI or CPIH is applicable or if paragraph (ii) and/or (iii) of the definition of Index Figure for RPI is applicable: If the Index Figure relating to any month (the “**calculation month**”) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth business day before the date on which such payment is due (the “**date for payment**”), the Index Figure applicable for the relevant calculation month shall be (1) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the U.K. Government for such purpose) for the purposes of indexation of payments on the Reference Gilt or the Indexed Benchmark Gilt (as applicable) or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the

substitute index figure last determined pursuant to Condition 5.3(i)) before the date for payment.

#### **5.4 Application of Changes**

Where the provisions of Condition 5.3(ii) or 5.3(iii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 5.3(ii)(2) or 5.3(iii)(2), the Index Figure relating to the relevant month or relevant calculation month, as the case may be, is subsequently published while an Instrument is still outstanding, then:

- (i) in relation to a payment of principal or interest in respect of such Instrument other than upon final redemption of such Instrument, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 5.3(ii)(2) or 5.3(iii)(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.

#### **5.5 Material Changes to or Cessation of the Index**

- (i) Material changes to the relevant Index:
  - (a) CPI and CPIH: Where CPI or CPIH is specified in the relevant Final Terms as the Index and any change is made to the coverage or the basic calculation of such Index which constitutes a fundamental change which would, in the opinion of either the Issuer or the Trustee (acting solely on the advice of an Indexation Adviser), be materially prejudicial to the interests of the Issuer or the Instrumentholders, as the case may be, the Issuer or the Trustee (as applicable) shall give written notice of such occurrence to the other party.

Promptly after the giving of such notice, the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Instruments one or more adjustments to CPI or CPIH (as applicable) or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Instrumentholders in no better and no worse position than they would have been had the relevant fundamental change to CPI or CPIH (as applicable) not been made.

If the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 Business Days following the giving of notice as mentioned above, a bank or other person in London shall be appointed by the Issuer and the 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 Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the “**Expert**”), to determine for the purpose of the Instruments one or more adjustments to CPI or CPIH (as applicable) or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Instrumentholders in no better and no worse position than they would have been had the relevant fundamental

change to CPI or CPIH (as applicable) 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 Trustee in connection with such appointment shall be borne by the Issuer.

- (b) RPI: Where RPI is specified in the relevant Final Terms as the Index and if notice is published by Her Majesty's Treasury, or on its behalf, following a change to the coverage or the basic calculation of such Index, then the Calculation Agent shall make any such adjustments to the Index consistent with any adjustments made to the index as applied to the Reference Gilt.

(ii) Cessation of the relevant Index:

If the Trustee and the Issuer have been notified by the Calculation Agent that the relevant Index has ceased to be published, or if Her Majesty's Treasury or the Office for National Statistics, as the case may be, or a person acting on its behalf, announces that it will no longer continue to publish the relevant Index, then the Calculation Agent shall determine a successor index *in lieu* of any previously applicable index (the "**Successor Index**") by using the following methodology:

- (a) if at any time a successor index has been designated by Her Majesty's Treasury in respect of the Reference Gilt, such successor index shall be designated the "**Successor Index**" for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraph (b) or (c) below. This provision will only be applicable when RPI is specified in the relevant Final Terms as the Index; or
- (b) the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Instruments 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 Instrumentholders in no better and no worse position than they would have been had the Index not ceased to be published. If the relevant Final Terms specify RPI as the Index then this paragraph (b) will only be applicable provided the Successor Index has not been determined under paragraph (a) above; or
- (c) if the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (ii), a bank or other person in London shall be appointed by the Issuer and the 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 Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the Instruments 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 Instrumentholders in no better and no worse position than they would have been had the Index not ceased to be published. 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 Trustee in connection with such appointment shall be borne by the Issuer.

- (iii) Adjustment or replacement: The Index shall be adjusted or replaced by a substitute index pursuant to the foregoing paragraphs, as the case may be, and references in these

Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, the Guarantor, the Trustee and the Instrumentholders, and the Issuer shall give notice to the Instrumentholders in accordance with Condition 15 of such amendments as promptly as practicable following such notification or adjustment.

## **5.6 Redemption for Index Reasons**

If either (i) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 5.3(ii)(2) or 5.3(iii)(2), as applicable and the Trustee has been notified by the Calculation Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt or the Indexed Benchmark Gilt (as applicable), and (in either case) no amendment or substitution of the Index shall have been designated by Her Majesty's Treasury in respect of the Reference Gilt or the Indexed Benchmark Gilt (as applicable) to the Issuer and such circumstances are continuing, the Issuer may, upon giving not more than 60 nor less than 30 days' notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms) in accordance with Condition 15, redeem all, but not some only, of the Instruments at their principal amount together with interest accrued but unpaid up to and including the date of redemption (in each case adjusted in accordance with Condition 5.2).

## **6 Redemption, Purchase and Options**

### **6.1 Final Redemption**

Unless previously redeemed, purchased and cancelled as provided below, this Instrument will be redeemed at its Final Redemption Amount (which, unless otherwise provided, is its principal amount) on the Maturity Date specified in the relevant Final Terms.

### **6.2 Redemption for Taxation Reasons**

If the Issuer (or, if the Guarantee were called, the Guarantor) satisfies the Trustee immediately before the giving of the notice referred to below that, on the occasion of the next payment in respect of the Instruments, it would be unable to make such payment without having to pay additional amounts as described in Condition 8, and such requirement to pay such additional amounts arises by reason of a change in, or amendment to, the laws or regulations of the United Kingdom or any political sub-division or taxing authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations or in any applicable double taxation treaty or convention, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Instruments, and such requirement cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it (such measures not involving any material additional payments by, or expense for, the Issuer (or the Guarantor, as the case may be)), the Issuer may, at its option, on any Interest Payment Date or, if so specified in the relevant Final Terms at any time, having given not less than 30 nor more than 45 days' notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms) in accordance with Condition 15, redeem all, but not some only, of the Instruments at their Early Redemption Amount together with interest accrued to the date of redemption, provided that the date fixed for redemption shall not be earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts or make such withholding or deduction, as the case may be, were a

payment in respect of the Instruments (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6.2, the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee a certificate signed by any one director of the Issuer (or the Guarantor, as the case may be) stating that the requirement referred to above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out above in which event it shall be conclusive and binding on Instrumentholders and Couponholders.

### **6.3 Purchases**

Each of the Issuer, the Guarantor and their respective subsidiary undertakings may at any time purchase Instruments (provided that all unmatured Coupons and unexchanged Talons appertaining to them are attached or surrendered with them) in the open market or otherwise at any price.

### **6.4 Early Redemption**

The Early Redemption Amount payable in respect of any Instrument, upon redemption of such Instrument pursuant to Condition 6.2, this Condition 6.4 or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.

### **6.5 Redemption at the Option of the Issuer and Exercise of Issuer's Options**

#### **6.5.1 Residual Holding Call Option**

If (i) Residual Holding Call Option is specified in the relevant Final Terms as applicable, and (ii) if at any time the Residual Holding Percentage or more of the aggregate principal amount of Instruments originally issued shall have been redeemed or purchased and cancelled, the Issuer shall have the option to redeem such outstanding Instruments in whole, but not in part, at their Residual Holding Redemption Amount. Unless otherwise specified in the relevant Final Terms, the Residual Holding Redemption Amount will be calculated by the Calculation Agent by discounting the outstanding principal amount of the Instruments and the remaining interest payments (if applicable) to the Maturity Date by a rate per annum (expressed as a percentage to the nearest one hundred thousandth of a percentage point (with halves being rounded up)) equal to the Benchmark Yield, being the yield on the Benchmark Security at the close of business on the third Business Day prior to the date fixed for such redemption, plus the Benchmark Spread. Where the specified calculation is to be made for a period of less than one year, it shall be calculated using the Benchmark Day Count Fraction. The Issuer will give not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders and the Trustee of any such redemption pursuant to this Condition 6.5.1.

#### **6.5.2 Call Option**

If Call Option is specified in the relevant Final Terms as applicable, the Issuer may, unless a Put Event Notice has been given pursuant to Condition 6.6 or an Exercise Notice has been given pursuant to Condition 6.7, on giving not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of such Instruments on any Optional Redemption Date(s) or Option Exercise Date, as the case may be. Any such redemption of Instruments shall be at their Optional Redemption Amount together with interest accrued to but excluding the date fixed for redemption.

Any such redemption or exercise must relate to Instruments of a principal amount at least equal to the minimum principal amount (if any) permitted to be redeemed specified in the relevant Final Terms and no greater than the maximum principal amount (if any) permitted to be redeemed specified in the relevant Final Terms.

All Instruments in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition 6.5.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Instrumentholders shall also contain the serial numbers of the Instruments to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, listing authority and stock exchange requirements.

### **6.5.3 Make-whole Redemption Option**

If Make-whole Redemption Option is specified in the relevant Final Terms as applicable, the Issuer may, unless a Put Event Notice has been given pursuant to Condition 6.6 or an Exercise Notice has been given pursuant to Condition 6.7, on giving not less than 15 nor more than 30 days' irrevocable notice to the Instrumentholders (or such other notice period as may be specified in the relevant Final Terms), redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of such Instruments on any Make-whole Redemption Date(s). Any such redemption of Instruments shall be at an amount equal to the higher of the following, in each case together with interest accrued to but excluding the date fixed for redemption:

- (i) the principal amount of the Instrument; and
- (ii) the principal amount of the Instrument multiplied by the price (as reported in writing to the Issuer and the Trustee by a financial adviser (the "**Financial Adviser**") appointed by the Issuer and approved by the Trustee) expressed as a percentage (rounded to the nearest fifth decimal places, 0.000005 being rounded upwards) at which the Gross Redemption Yield on the Instruments on the Determination Date specified in the Final Terms is equal to the Gross Redemption Yield at the Quotation Time specified in the relevant Final Terms on the Determination Date of the Reference Bond specified in the relevant Final Terms (or, where the Financial Adviser advises the Trustee that, for reasons of illiquidity or otherwise, such Reference Bond is not appropriate for such purpose, such other government stock as such Financial Adviser may recommend) plus any applicable Redemption Margin specified in the Final Terms.

Any such redemption or exercise must relate to Instruments of a principal amount at least equal to the minimum principal amount (if any) permitted to be redeemed specified in the relevant Final Terms and no greater than the maximum principal amount (if any) permitted to be redeemed specified in the relevant Final Terms.

All Instruments in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition 6.5.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Instrumentholders shall also contain the serial numbers of the Instruments to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws, listing authority and stock exchange requirements.

In this Condition 6.5:

“**Gross Redemption Yield**” means a yield calculated in accordance with generally accepted market practice at such time, as advised to the Trustee by the Financial Adviser.

## 6.6 Redemption at the Option of the Instrumentholders on a Restructuring Event

6.6.1 If, for so long as any Instrument remains outstanding, a Restructuring Event (as defined below) occurs, and prior to the commencement of or during the Restructuring Period (as defined below):

- (i) an independent financial adviser (as described below) shall have certified in writing to the Trustee that such Restructuring Event will not be or is not, in its opinion, materially prejudicial to the interests of the Instrumentholders; or
- (ii) if there are Rated Securities (as defined below), each Rating Agency (as defined below) that at such time has assigned a current rating to the Rated Securities confirms in writing to the Issuer or the Guarantor at its request (which it shall make as set out below) that it will not be withdrawing or reducing the then current rating assigned to the Rated Securities by it from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being, or better) to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being, or worse) or, if the Rating Agency shall have already rated the Rated Securities below investment grade (as described above), the rating will not be lowered by one full rating category or more, in each case as a result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event,

the following provisions of this Condition 6.6 shall cease to have any further effect in relation to such Restructuring Event.

6.6.2 If, for so long as any Instrument remains outstanding, a Restructuring Event occurs and (subject to Condition 6.6.1 and to Condition 6.6.4):

- (i) within the Restructuring Period, either:
  - (a) if at the time such Restructuring Event occurs there are Rated Securities, a Rating Downgrade (as defined below) in respect of such Restructuring Event also occurs; or
  - (b) if at such time there are no Rated Securities, a Negative Rating Event (as defined below) in respect of such Restructuring Event also occurs; and
- (ii) an independent financial adviser shall have certified in writing to the Trustee that such Restructuring Event is, in its opinion, materially prejudicial to the interests of the Instrumentholders (a “**Negative Certification**”),

then the holder of each Instrument will, upon the giving of a Put Event Notice (as defined below), have the option (the “**Put Option**”) to require the Issuer (failing which, the Guarantor) to redeem or, at the option of the Issuer (or the Guarantor, as the case may be), purchase (or procure the purchase of) that Instrument on the Put Date (as defined below), at its Optional Put Redemption Amount together with (or, where purchased, together with an amount equal to) interest (if any) accrued to (but excluding) the Put Date.

A Restructuring Event shall be deemed not to be materially prejudicial to the interests of the Instrumentholders if, notwithstanding the occurrence of a Rating Downgrade or a Negative Rating Event, the rating assigned to the Rated Securities by any Rating Agency (as defined below) is subsequently increased to, or, as the case may be, there is assigned to the Instruments or other

unsecured and unsubordinated debt of the Issuer or the Guarantor having an initial maturity of five years or more by any Rating Agency, an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being) or better prior to any Negative Certification being issued.

Any Negative Certification, and any other certificate of an independent financial adviser appointed under this Condition 6.6, shall, in the absence of manifest error, be conclusive and binding on the Trustee, the Issuer, the Guarantor and the Instrumentholders. The Issuer or the Guarantor may, at any time, with the approval of the Trustee appoint an independent financial adviser for the purposes of this Condition 6.6. If, within five business days (as defined in Condition 7.6) following the occurrence of a Rating Downgrade or a Negative Rating Event, as the case may be, in respect of a Restructuring Event, the Issuer or the Guarantor shall not have appointed an independent financial adviser for the purposes of this Condition 6.6 and (if so required by the Trustee) the Trustee is indemnified and/or prefunded and/or secured to its satisfaction against the costs of such adviser, the Trustee may appoint an independent financial adviser for such purpose following consultation with the Issuer.

Promptly upon the Issuer becoming aware that a Put Event (as defined below) has occurred, and in any event not later than 14 days after the occurrence of a Put Event, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in principal amount of the Instruments then outstanding shall, give notice (a "**Put Event Notice**") to the Issuing and Paying Agent and Instrumentholders in accordance with Condition 15 specifying the nature of the Put Event and the procedure for exercising the Put Option.

To exercise the Put Option, the holder of the Instrument must deposit such Instrument with any Paying Agent at any time during normal business hours of such Paying Agent, falling within the period (the "**Put Period**") of 45 days commencing on the day on which the Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Put Notice**"). No Instrument so deposited and option so exercised may be withdrawn without the prior consent of the Issuer except as provided in the Agency Agreement or where, prior to the date of redemption, an Event of Default has occurred and the Trustee has given notice to the Issuer that the Instruments are due and repayable in accordance with Condition 10 in which event such holder, at its option, may elect by notice to the Issuer to withdraw its Instrument(s) and accompanying Put Notice. The Issuer (failing which, the Guarantor) shall redeem or purchase (or procure the purchase of) the relevant Instrument on the fifteenth day after the date of expiry of the Put Period (the "**Put Date**") unless previously redeemed or purchased.

If 80 per cent. or more in principal amount of the Instruments then outstanding are redeemed or purchased pursuant to this Condition 6.6, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Trustee, the Issuing and Paying Agent and, in accordance with Condition 15, the Instrumentholders (such notice being given within 30 days after the Put Date), which notice shall be irrevocable, redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Instruments at their principal amount, together with interest (if any) accrued to (but excluding) the date fixed for such redemption or purchase. Such notice to the Instrumentholders shall specify the date fixed for redemption or purchase and the manner in which such redemption or purchase will be effected.

If the rating designations employed by any Rating Agency are changed from those which are described in the definition of a "Rating Downgrade" below, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, with the agreement of the Trustee (who shall be entitled to consult with independent advisers in relation thereto, at the cost and expense of the Issuer (or the Guarantor, as the case may be)), the rating designations of such Rating Agency or such

Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of such Rating Agency and this Condition 6.6 shall be construed accordingly.

**6.6.3** For the purposes of these Conditions:

- (i) **“Distribution Licence”** means a gas transporter licence of the Guarantor relating to the gas distribution business, granted or transferred under section 7(2) of the U.K. Gas Act 1986 (as amended by section 76 of the Utilities Act 2000 and further amended from time to time).
- (ii) A **“Negative Rating Event”** shall be deemed to have occurred if (1) the Issuer and/or the Guarantor does not either prior to or not later than 14 days after the date of the relevant Restructuring Event seek, and thereupon use all reasonable endeavours to obtain, a rating of the Instruments or any other unsecured and unsubordinated debt of the Issuer or the Guarantor having an initial maturity of five years or more from a Rating Agency or (2) if it does so seek and use such endeavours, it is unable, as a result of such Restructuring Event, to obtain such a rating of at least investment grade (BBB-/Baa3, or their respective equivalents for the time being).
- (iii) A **“Put Event”** occurs on the date of the last to occur of (1) a Restructuring Event, (2) either a Rating Downgrade or, as the case may be, a Negative Rating Event and (3) the relevant Negative Certification.
- (iv) **“Rating Agency”** means Moody’s Investors Service Limited (**“Moody’s”**), Fitch Ratings Limited (**“Fitch”**) or Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies Inc. (**“S&P”**) or any of their respective affiliates or successors or any rating agency (a **“Substitute Rating Agency”**) substituted for any of them by the Issuer (or the Guarantor, as the case may be) from time to time.
- (v) A **“Rating Downgrade”** shall be deemed to have occurred in respect of a Restructuring Event if the then current rating assigned to the Rated Securities by any Rating Agency is withdrawn or reduced from an investment grade rating (BBB-/Baa3, or their respective equivalents for the time being), or better to a non-investment grade rating (BB+/Ba1, or their respective equivalents for the time being), or worse or, if the Rating Agency shall then have already rated the Rated Securities below investment grade (as described above), the rating is lowered one full rating category or more.
- (vi) **“Rated Securities”** means the Instruments, if at any time and for so long as they have a rating from a Rating Agency, and otherwise any other unsecured and unsubordinated debt of the Issuer (or the Guarantor) having an initial maturity of five years or more which is rated by a Rating Agency.
- (vii) **“Restructuring Event”** means the occurrence of any one or more of the following events with respect to the Guarantor:
  - (a)
    - (x) the relevant regulatory authority giving the Guarantor written notice of revocation or the transfer of its Distribution Licence; or
    - (y) the Guarantor agreeing in writing with the relevant regulatory authority to any revocation, transfer or surrender of its Distribution Licence; or
    - (z) any legislation (whether primary or subordinate) being enacted which terminates, transfers or revokes the Guarantor’s Distribution Licence;

except, in each such case, in circumstances where a licence or licences on terms certified by any one director of the Guarantor as being substantially no less favourable is or are granted or transferred to the Guarantor, the Issuer or another wholly-owned subsidiary of the Guarantor or the Issuer, where such subsidiary at the time of such grant or transfer either (x) executes in favour of the Trustee an unconditional and irrevocable guarantee in respect of all Instruments issued by the Issuer in such form as the Trustee may approve or (y) becomes the primary debtor under the Instruments issued by the Issuer in accordance with Condition 12.3; or

- (b) any modification (other than a modification which is of a formal, minor or technical nature) being made to the terms and conditions upon which the Guarantor is authorised and empowered under relevant legislation to transport gas in the United Kingdom unless any one director of the Guarantor has certified in good faith to the Trustee that the modified terms and conditions are not materially less favourable to the business of the Guarantor;
- (c) any legislation (whether primary or subordinate) is enacted which removes, qualifies or amends (other than an amendment which is of a formal, minor or technical nature or to correct a manifest error) the duties of the Secretary of State for Business, Innovation and Skills (or any successor) and/or the Gas and Electricity Markets Authority (or any successor) under section 4AA of the U.K. Gas Act 1986 (as this may be amended from time to time) unless any one director of the Guarantor has certified in good faith to the Trustee that such removal, qualification or amendment does not have a materially adverse effect on the financial condition of the Guarantor.

(viii) **“Restructuring Period”** means:

- (a) if at the time a Restructuring Event occurs there are Rated Securities, the period of 90 days starting from and including the day on which that Restructuring Event occurs; or
- (b) if at the time a Restructuring Event occurs there are no Rated Securities, the period starting from and including the day on which that Restructuring Event occurs and ending on the day 90 days following the later of (aa) the date (if any) on which the Issuer and/or the Guarantor shall seek to obtain a rating as contemplated by the definition of Negative Rating Event; (bb) the expiry of the 14 days referred to in the definition of Negative Rating Event and (cc) the date on which a Negative Certification shall have been given to the Trustee in respect of that Restructuring Event.

**6.6.4** A Rating Downgrade or a Negative Rating Event or a non-investment grade rating shall be deemed not to have occurred as a result or in respect of a Restructuring Event if the Rating Agency making the relevant reduction in rating or, where applicable, refusal to assign a rating of at least investment grade as provided in this Condition 6.6 does not announce or publicly confirm or inform the Issuer, the Guarantor or the Trustee in writing upon request (which the Issuer shall make as set out in Condition 6.6.5) that the reduction or, where applicable, declining to assign a rating of at least investment grade resulted, in whole or in part, from the occurrence of the Restructuring Event or any event or circumstance comprised in or arising as a result of the applicable Restructuring Event.

**6.6.5** The Issuer (or the Guarantor, as the case may be) undertakes to contact the relevant Rating Agency immediately following the reduction, or where applicable the refusal to assign a rating of at least investment grade, in each case referred to in Condition 6.6.4, to confirm whether that reduction, or refusal to assign a rating of at least investment grade was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of the applicable Restructuring Event. The Issuer (or the Guarantor, as the case may be) shall notify the Trustee immediately upon receipt of any such confirmation from the relevant Rating Agency.

**6.6.6** The Trustee shall not be obliged to monitor compliance by the Issuer and the Guarantor with this Condition 6.6 and the Trustee shall be entitled to rely absolutely, without further investigation or enquiry and without liability to any persons, on any notice or certificate of the Issuer or the Guarantor provided under this Condition 6.6.

## **6.7 Redemption at the Option of Instrumentholders and Exercise of Instrumentholders' Options**

If Optional Put Option is specified in the relevant Final Terms as applicable, the Issuer shall, at the option of the holder of any such Instrument, upon the holder of such Instrument giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms) redeem such Instrument on the Optional Redemption Date(s) (as specified in the relevant Final Terms) at its Optional Redemption Amount (as specified in the relevant Final Terms) together with interest accrued to the date fixed for redemption.

To exercise such option (which must be exercised on an Option Exercise Date) the holder must deposit such Instrument with any Paying Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent within the Instrumentholders' Option Period (as specified in the relevant Final Terms). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

## **6.8 Cancellation**

All Instruments redeemed pursuant to any of the foregoing provisions will be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto). All Instruments purchased by or on behalf of the Issuer, the Guarantor or any of their respective subsidiary undertakings may, at the option of the Issuer, be held, resold or surrendered together with all unmatured Coupons and all unexchanged Talons attached to them to a Paying Agent for cancellation. Any Instruments so purchased or otherwise acquired, for so long as they are held by the Issuer, the Guarantor or any of their respective subsidiary undertakings, shall not entitle the holder to vote at any meeting of Instrumentholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Instrumentholders or for the purposes of Condition 12.

# **7 Payments and Talons**

## **7.1 Payments**

Payments of principal and interest in respect of Instruments will, subject as mentioned below, be made against presentation and surrender of the relevant, Instruments (in the case of all payments of principal and, in the case of interest, as specified in Condition 7.5.4) or Coupons (in the case of interest, save as specified in Condition 7.5.4), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment

is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency with, a bank in the principal financial centre for that currency; provided that in the case of euro, the transfer shall be in a city in which banks have access to the TARGET System.

## **7.2 Payments in the United States**

Notwithstanding the above, if any Instruments are denominated in U.S. dollars, payments in respect of them may be made at the specified office of any Paying Agent in New York City in the same manner as specified above if (a) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Instruments in the manner provided above when due, (b) 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 (c) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

## **7.3 Payments subject to Fiscal Laws etc.**

Save as provided in Condition 8, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment and neither the Issuer nor the Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Instrumentholders or Couponholders in respect of such payments.

## **7.4 Appointment of Agents**

The Issuing and Paying Agent, the Paying Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer and the Guarantor reserve the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent or the Calculation Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Calculation Agent where the Conditions so require one and (iii) so long as the Instruments are listed on any stock exchange or admitted to listing by any other relevant authority, a Paying Agent having a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority. As used in these Conditions, the terms “**Issuing and Paying Agent**”, “**Calculation Agent**”, and “**Paying Agent**” include any additional or replacement Issuing and Paying Agent, Calculation Agent or Paying Agent appointed under this Condition 7.4.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Instruments denominated in U.S. dollars in the circumstances described in Condition 7.2.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Instrumentholders in accordance with Condition 15.

## **7.5 Unmatured Coupons and unexchanged Talons**

**7.5.1** Upon the due date for redemption of any Instrument, unexpired Coupons relating to such Instrument (whether or not attached) shall become void and no payment shall be made in respect of them.

- 7.5.2** Upon the due date for redemption of any Instrument, any unexchanged Talon relating to such Instrument (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- 7.5.3** Where any Instrument which provides that the relevant Coupons are to become void upon the due date for redemption of those Instruments is presented for redemption without all unmatured Coupons, and where any Instrument 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.
- 7.5.4** If the due date for redemption of any Instrument is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Instrument. Interest accrued on an Instrument that only bears interest after its Maturity Date shall be payable on redemption of that Instrument against presentation of that Instrument.

## **7.6 Non-business days**

If any date for payment in respect of any Instrument 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 Condition 7.6, “**business day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as “Financial Centres” in the relevant Final Terms and:

- (i) (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 foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro), which is a TARGET Business Day.

## **7.7 Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Instrument, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 9).

## **8 Taxation**

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Instruments and the Coupons or under the Guarantee shall be without withholding or deduction for or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom or any political sub-division of the United Kingdom or any authority in or of the United Kingdom having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer (or, as the case may be, the Guarantor) shall pay such additional amounts of principal and interest as will result in the receipt by the Instrumentholders or, as the case may be, the Couponholders of the amounts which would otherwise have been received by them in respect of the Instruments or Coupons had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Instrument or Coupon presented for payment:

- (a) by or on behalf of a holder who is liable to such taxes or duties in respect of such Instrument or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Instrument or Coupon; or
- (b) by or on behalf of a holder who would not be liable or subject to such deduction or withholding by making a declaration of non-residence or other claim for exemption to a tax authority; or
- (c) more than 30 days after the Relevant Date except to the extent that the holder would have been entitled to such additional amounts on presenting such Instrument or Coupon for payment on the last day of such period of 30 days; or
- (d) by or on behalf of a holder who would have been able to avoid such withholding or deduction by satisfying any statutory or procedural requirements (including, without limitation, the provision of information).

Notwithstanding any other provision of the Conditions or the Trust Deed, any amounts to be paid in respect of the Instruments by or on behalf of the Issuer (or the Guarantor, as the case may be), 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, the Guarantor nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used in these Conditions, “**Relevant Date**” in respect of any Instrument or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Instrumentholders in accordance with Condition 15 that, upon further presentation of the Instrument or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Instruments, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Optional Put Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it or pursuant to Condition 7 or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts which may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

## 9 Prescription

Instruments and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 10 Events of Default

### 10.1 Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in principal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution, shall (subject in

each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer at its registered office that the Instruments are, and they shall accordingly immediately become due and repayable at their Early Redemption Amount together (if applicable) with accrued interest to the date of payment:

- (a) **Non-Payment:** there is default for more than 30 days in the payment of any principal or interest due in respect of the Instruments; or
- (b) **Breach of Other Obligations:** there is default in the performance or observance by the Issuer or the Guarantor of any other obligation or provision under the Trust Deed or the Instruments (other than any obligation for the payment of any principal or interest in respect of the Instruments or in relation to Condition 10.1(c)) which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 90 days after notice of such default shall have been given to the Issuer (or the Guarantor, as the case may be) by the Trustee; or
- (c) **Breach of Gearing Ratio:** the Net Debt to RAV Ratio (as defined in Condition 10.3) on any Relevant Calculation Date (or, in the case of forward-looking ratios referred to in Condition 10.2.1, as at the last day of the 12-month period commencing on the day after such Relevant Calculation Date) is equal to or greater than 70 per cent.; provided that, an Event of Default under this Condition 10.1(c) may be cured by the Guarantor by its exercise of a Gearing Cure Right (as described in Condition 10.2); or
- (d) **Cross-Acceleration:** if (i) any other present or future Indebtedness for Borrowed Money of the Issuer or the Guarantor becomes due and payable prior to its stated maturity by reason of any event of default, howsoever described, (ii) any amount in respect of such Indebtedness for Borrowed Money is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) default is made by the Issuer or the Guarantor in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; provided that, the aggregate amount of the Indebtedness for Borrowed Money in respect of which one or more of the events mentioned above in this Condition 10.1(d) have occurred equals or exceeds £50,000,000 (or its equivalent in any other currency); or
- (e) **Security Enforced:** any Security, present or future, created or assumed by the Issuer or the Guarantor for or in respect of Indebtedness for Borrowed Money and securing an amount equal to or exceeding £50,000,000 (or its equivalent in any other currency) becomes enforceable and any step is taken to enforce it (including the taking of possession or appointment of a receiver, administrative receiver, administrator, manager or other similar person) and in any such case is not discharged or stayed within a period of 90 days; or
- (f) **Winding-up:** a resolution is passed, or a final order of a court in the United Kingdom is made and, where possible, not discharged or stayed within a period of 90 days, that the Issuer or the Guarantor be wound up or dissolved; or
- (g) **Enforcement Proceedings:** attachment is made of the whole or substantially the whole of the assets or undertaking of the Issuer or the Guarantor and such attachment is not released or cancelled within 90 days or an encumbrancer takes possession or an administrative or other receiver or similar officer is appointed of the whole or substantially the whole of the assets or undertaking of the Issuer or the Guarantor or an administration or similar order is made in relation to the Issuer or the Guarantor and such taking of possession, appointment or order is not released, discharged or cancelled within 90 days; or

- (h) **Insolvency:** the Issuer or the Guarantor ceases to carry on all or substantially all of its business or is unable to pay its debts within the meaning of Section 123(1)(e) or Section 123(2) of the Insolvency Act 1986; or
- (i) **Bankruptcy:** the Issuer or the Guarantor is adjudged bankrupt or insolvent by a court of competent jurisdiction in its country of incorporation; or
- (j) **Guarantee:** the Guarantee is not, or is claimed by the Guarantor not to be, in full force and effect,

provided that in the case of Condition 10.1(b) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Instrumentholders.

Any such notice by the Trustee to the Issuer shall specify the serial number(s) of the Instrument(s) concerned.

## 10.2 Calculation Undertaking and Gearing Cure Right

- 10.2.1 For so long as any Instrument or Coupon remains outstanding (as defined in the Trust Deed), the Guarantor shall: (i) as soon as reasonably practicable following (A) each Relevant Calculation Date (as defined in Condition 10.3), calculate (or procure the calculation of) the Net Debt to RAV Ratio as at that Relevant Calculation Date and (B) each Relevant Calculation Date falling on the last day of each financial year of the Guarantor, calculate (or procure the calculation of) the Net Debt to RAV Ratio on a forward-looking basis as at the last day of the 12-month period commencing on the day after such Relevant Calculation Date; and (ii) provide the Trustee, within 180 days in respect of the end of the financial year or 90 days in respect of the financial half-year, following each Relevant Calculation Date, a certificate (a "**Compliance Certificate**") signed by any one director of the Guarantor stating the Net Debt to RAV Ratio as at each such Relevant Calculation Date and, where applicable, on a forward-looking basis as described above, and confirming whether or not there is a breach of the maximum Net Debt to RAV Ratio.
- 10.2.2 If a Compliance Certificate provided to the Trustee in respect of any Relevant Calculation Date shows that there is a breach of the maximum Net Debt to RAV Ratio under Condition 10.1(c), any direct or indirect shareholder of the Guarantor may provide or procure the provision of, on or prior to the day falling 30 days after the delivery of the relevant Compliance Certificate, Additional Equity in an amount (a "**Gearing Cure Amount**") at least sufficient to cure such breach by the application of such Additional Equity in prepayment or purchase of Financial Indebtedness of the Guarantor Group such that, within such 30 day period, the Net Debt to RAV Ratio is (or, as applicable, is forecast on a forward-looking basis to be) less than 70 per cent. (the right to so provide or procure and utilise such Gearing Cure Amount, a "**Gearing Cure Right**").
- 10.2.3 Any such Gearing Cure Amount must be applied on or prior to the day falling 30 days after the delivery of the relevant Compliance Certificate.
- 10.2.4 The exercise of a Gearing Cure Right shall be limited to no more than three times in any five-year period, and shall not be exercisable in respect of consecutive Relevant Calculation Dates.
- 10.2.5 On application of a Gearing Cure Amount in accordance with this Condition 10.2, the Guarantor shall re-calculate (or procure the re-calculation of) the Net Debt to RAV Ratio on such 30<sup>th</sup> day and promptly provide the Trustee with a further certificate, signed by any one director of the Guarantor, stating the Net Debt to RAV Ratio on such 30<sup>th</sup> day and certifying that an Event of Default under Condition 10.1(c) is not continuing. If, after the Net Debt to

RAV Ratio is re-calculated in respect of such 30<sup>th</sup> day, the breach has been so cured, the ratio shall be deemed to have been satisfied on the date of the relevant Compliance Certificate as though no breach had ever occurred and the related Event of Default under Condition 10.1(c) shall be deemed not to have occurred.

**10.2.6** The Trustee shall assume, unless notified otherwise by the Issuer or the Guarantor, that there has been no breach of the ratio provided in Condition 10.1(c) and, for the avoidance of doubt, the Trustee shall not monitor compliance by the Issuer and the Guarantor with Condition 10.1(c) or this Condition 10.2 and the Trustee shall be entitled to rely absolutely, without further investigation or enquiry and without liability to any persons, on any Compliance Certificate or other certificate of the Issuer or the Guarantor provided under this Condition 10.2.

### 10.3 Definitions

In these Conditions:

**“Additional Equity”** means any amount subscribed in cash for shares in the Guarantor or any other capital contribution to, or subscription for subordinated debt of, the Guarantor, provided in each such case that such cash is paid to the Guarantor.

**“Applicable Accounting Principles”** means International Financial Reporting Standards (IFRS) or generally accepted accounting principles in the United Kingdom that are applied as if frozen as at 31 March 2016.

**“Authorised Investments”** means:

- (a) securities issued by the government of the United Kingdom;
- (b) demand or time deposits, certificates of deposit and short-term unsecured debt obligations, including commercial paper, or other investments with similar liquidity and effective credit quality characteristics to time deposits, provided that the issuing entity or, if such investment is guaranteed, the guaranteeing entity, is rated the Minimum Short-term Rating or (if the relevant Authorised Investments have an original maturity in excess of one year) the Minimum Long-term Rating from at least one of Fitch, Moody's or S&P;
- (c) any other obligations provided that in each case the relevant investment has the Minimum Short-term Rating or (if the relevant Authorised Investments have an original maturity in excess of one year) the Minimum Long-term Rating from at least one of Fitch, Moody's or S&P and is denominated in sterling or has been hedged pursuant to a Hedging Arrangement; and
- (d) any other money market funds having the Minimum Short-term Rating from at least one of Fitch, Moody's or S&P.

**“Cash”** means, at any time, cash denominated in sterling, euro, U.S. dollars or any other major international currency in hand or at bank and (in the latter case) credited to a bank account in the name of a member of the Guarantor Group and to which a member of the Guarantor Group is alone (or together with other members of the Guarantor Group) beneficially entitled and for so long as:

- (a) that cash is repayable on demand;
- (b) repayment of that cash is not contingent on the prior discharge of any other Financial Indebtedness of any member of the Guarantor Group or of any other person whatsoever or on the satisfaction of any other condition;

- (c) there is no Security over that cash except comprising a netting or set-off arrangement (including under any Hedging Arrangement) entered into by members of the Guarantor Group in the ordinary course of their banking arrangements;
- (d) the cash is freely available to be applied in repayment or prepayment of the Instruments; and
- (e) the cash has not accrued as a result of, nor is attributable to, an Overpayment.

**“Commodity Hedging Agreement”** means any forward, futures, spot deferred or option contract, swap or other similar agreement or arrangement with respect to the price of any commodity produced, transported or used by the Guarantor or any member of the Guarantor Group in relation to its business.

**“Currency Agreement”** means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values.

**“Distribution Licence”** has the meaning given to such term in Condition 6.6.3.

**“Finance Lease”** means any lease or hire purchase contract, a liability under which would, in accordance with Applicable Accounting Principles, be treated as a balance sheet liability (other than a lease or hire purchase agreement which would (in accordance with Applicable Accounting Principles) have been treated as an operating lease prior to 31 March 2016).

**“Financial Indebtedness”** means (without double counting), any indebtedness for or in respect of:

- (a) moneys borrowed or raised;
- (b) any acceptances under any acceptance or bill discount credit facility or dematerialised equivalent;
- (c) any note purchase facility or the issue of bonds, notes, instruments, debentures, loan stock or any similar instrument excluding Trade Instruments;
- (d) the amount of any liability in respect of any Finance Lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any termination amount (but not the marked-to-market value) due from any member of the Guarantor Group in respect of a Hedging Arrangement;
- (g) any counter-indemnity obligations in respect of a guarantee, instrument, standby or documentary letter of credit or any other instrument (but not any Trade Instruments) issued by a bank or financial institution of an entity which is not a member of the Guarantor Group in each case, in respect of indebtedness of a type referred to within one of the other paragraphs of this definition;
- (h) any amount raised by the issue of shares which are redeemable (other than at the option of the Issuer or Guarantor) before the Maturity Date or are otherwise classified as borrowings under the Applicable Accounting Principles;
- (i) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and sale back or sale and lease back agreement) having the commercial effect of a borrowing; and
- (j) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (i) above.

The term “Financial Indebtedness” shall not, for the avoidance of doubt, include any obligations in respect of early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions (or guarantees, surety bonds, letters of credit or other instruments in relation to any such obligations, contributions or claims).

“**Fitch**” means Fitch Ratings Limited or any of its affiliates or successors.

“**Guarantor Group**” means the Issuer, the Guarantor and each of the Guarantor’s other Subsidiaries from time to time.

“**Hedging Arrangement**” means any Interest Rate Agreement, Currency Agreement, Commodity Hedging Agreement or any other similar agreement or any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (including but not limited to fluctuations with respect to any index or the price of any commodity or any combination of the foregoing).

“**Holding Company**” has the meaning given to such term in section 1159 of the Companies Act 2006.

“**Indebtedness for Borrowed Money**” means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of borrowed money or any liability under or in respect of any acceptance or acceptance credit or instruments, bonds, debentures, debenture stock, loan stock or other securities.

“**indexed**” means, in respect of any reference to an amount, that amount (as previously indexed) as such amount may be adjusted up or down at the beginning of each calendar year by a percentage equal to the amount of percentage increase or, as the case may be, decrease in the relevant index for such year.

“**Interest Rate Agreement**” means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates.

“**Maturity Date**” has the meaning specified in the relevant Final Terms.

“**Minimum Long-term Rating**” means, (a) in respect of any person, such person’s long term unsecured and unsubordinated debt obligations being rated, or (b) in respect of any instrument, such instrument being rated, in the case of Moody’s, “Baa1”; in the case of S&P, “BBB+”; and, in the case of Fitch, “BBB+”, or their respective equivalents from time to time.

“**Minimum Short-term Rating**” means,

- (a) in respect of (i) any person, such person’s short term unsecured and unsubordinated debt obligations being rated, or (ii) any instrument, such instrument being rated, in the case of Moody’s, “Prime-2”; in the case of S&P, “A-2”; and, in the case of Fitch, “F2” or their respective equivalents from time to time; or
- (b) in respect of any person or instrument, such lower rating level notified in writing by the Guarantor to the Trustee which, in the opinion of the Guarantor having discussed with the relevant Rating Agencies, would not lead to any downgrade or the placing on credit watch negative (or equivalent) of the then current ratings ascribed to any Tranche of Instruments,

provided that in each case no rating shall be required from any such Rating Agency that is not then rating the Instruments.

“**Moody’s**” means Moody’s Investors Service Limited or any of its affiliates or successors.

“**Net Debt**” means, as at any particular time, the aggregate principal amount (which, for the avoidance of doubt, here means the original face amount (in sterling equivalent)) of all outstanding

(or, in respect of a future date, forecast to be outstanding) obligations of the Guarantor Group (on a consolidated basis) in respect of Financial Indebtedness:

- (a) excluding any Subordinated Debt;
- (b) including, in the case of Finance Leases only, the capitalised value thereof;
- (c) including (on a net basis) any accretion portion of any Financial Indebtedness which is indexed and any accretion under any index-linked Hedging Arrangement; and
- (d) excluding any un-crystallised mark-to-market amount relating to any Hedging Arrangement (other than Hedging Arrangements having the commercial effect of annuity payments),

less Cash and Authorised Investments of the Guarantor Group and so that no amount shall be included or excluded more than once provided that, in relation to any amount denominated other than in sterling (the “**foreign currency amount**”), such foreign currency amount shall be expressed in terms of sterling, calculated on the basis of the applicable FX Rate,

where “**FX Rate**” means, in relation to the amounts referred to in this definition:

- (a) if hedged pursuant to a Treasury Transaction, the exchange rate specified therein; and
- (b) if not hedged, the spot rate of exchange for the purchase of the relevant currency with sterling in the London foreign exchange market at or about 11:00 a.m. on the date of such calculation.

“**Net Debt to RAV Ratio**” means, on each Relevant Calculation Date (or any other day on which these Conditions require such ratio to be calculated), the ratio of Net Debt to RAV as at such Relevant Calculation Date (or such other day, as applicable) or, in the case of forward-looking ratios in respect of days falling after such Relevant Calculation Date, the forecast ratio as at the last day of the 12-month period commencing on the day after each financial year end of the Guarantor.

“**Out-turn Inflation**” means, in respect of any period for which the relevant indices have been published, the actual inflation rate (or rates) applicable to such period determined by reference to movements in any applicable index (or indices) as specified by the Regulator from time to time.

“**Overpayment**” means any amount recovered from customers by the Guarantor in respect of any financial year in excess of any limit prescribed by the Regulator in respect of such period.

“**Periodic Review**” means the periodic review of gas distribution price controls conducted by the Regulator from time to time.

“**RAV**” means, in relation to any date:

- (a) the regulatory asset value in respect of the Guarantor as published in the latest Periodic Review in respect of the most recent 31 March (or such other definitive date within a Periodic Review period as may be set by the Regulator in respect of future Periodic Review periods) (in each case, a “**Definitive Date**”; provided that, (i) for any date falling from and excluding a Definitive Date to but excluding the next Definitive Date within a Periodic Review period, the regulatory asset value shall be the Guarantor’s good faith interpolation of its regulatory asset value based upon the regulatory asset value for each such Definitive Date; and (ii) for any date in respect of which there has been no final proposal by the Regulator, the regulatory asset value shall be the Guarantor’s good faith, present estimate of its regulatory asset value on the relevant date; plus
- (b) (without double counting) amounts of expenditure which have been logged up through a Recognised Ofgem Mechanism for subsequent recognition in the regulatory asset value in a future Periodic Review period.

in each case adjusted by Out-turn Inflation.

**“Recognised Ofgem Mechanism”** means any of: (i) any correction mechanism employed by the Regulator to adjust the Licence income limits for any previous over- or under-recovery against the Guarantor’s regulatory allowed revenue, including any income adjusting event exceeding the threshold determined from time to time by the Regulator; (ii) logging up to RAV, where the Regulator has approved the relevant expenditure; or (iii) any other similar mechanism as agreed from time to time between the Regulator and the Guarantor.

**“Regulator”** means the Gas and Electricity Markets Authority (or any successor thereto).

**“Relevant Calculation Date”** means the last day of each financial year and the last day of each financial half-year of the Guarantor.

**“Security”** has the meaning given to such term in Condition 3.

**“S&P”** means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies Inc. or any of its affiliates or successors.

**“Subordinated Debt”** means any indebtedness of any member of the Guarantor Group which is fully subordinated to the Instruments in a binding and enforceable agreement between the relevant borrower of such indebtedness and the lender of such indebtedness.

**“Subsidiary”** means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

**“Trade Instruments”** means any performance bonds or other similar instruments, or advance payment bonds or documentary letters of credit issued in respect of the obligations of any member of the Guarantor Group arising in the ordinary course of trading of that member of the Guarantor Group.

**“Treasury Transaction”** means any currency or interest rate purchase, cap or collar agreement, forward rate agreements, interest rate or currency or future or option contract, foreign exchange or currency purchase or sales agreement, interest rate swap, index-linked swap, currency swap or combined interest rate and currency swap agreement and any other similar agreement or any derivative transaction.

## 11 Enforcement

The Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce any obligation, condition or provision binding on the Issuer and/or Guarantor, as applicable, under the Trust Deed, the Instruments and the Coupons, but shall not be bound to do so unless:

- (a) it shall have been so directed by an Extraordinary Resolution or in writing by Instrumentholders holding at least one-quarter of the principal amount of the Instruments outstanding; and
- (b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

No Instrumentholder or Couponholder shall be entitled to institute proceedings directly against the Issuer or the Guarantor unless the Trustee, having become bound to proceed as specified above, fails to do so within a reasonable time and such failure is continuing.

## **12 Meetings of Instrumentholders, Modifications and Substitution**

### **12.1 Meetings of Instrumentholders**

The Trust Deed contains provisions for convening meetings of Instrumentholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Instrumentholders holding not less than 10 per cent. in principal amount of the Instruments for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Instruments for the time being outstanding, or at any adjourned meeting two or more persons being or representing Instrumentholders whatever the principal amount of the Instruments held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Instruments or any date for payment of interest on the Instruments, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Instruments, (iii) to reduce the rate or rates of interest in respect of the Instruments or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Instruments, (iv) if a Minimum and/or a Maximum Rate of Interest is shown on the face of the Instrument, to reduce any such Minimum and/or Maximum Rate of Interest, (v) to vary any method of calculating the Final Redemption Amount, the Early Redemption Amount (Tax), the Residual Holding Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or the Optional Put Redemption Amount (vi) to take any steps that as specified in this Instrument may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (vii) to change the currency of payment of the Instruments or the Coupons, (viii) to modify the provisions concerning the quorum required at any meeting of Instrumentholders or the majority required to pass an Extraordinary Resolution, or (ix) to modify or cancel the Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than two thirds, or at any adjourned meeting not less than one third of the principal amount of the Instruments for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Instrumentholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders. The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 95 per cent. in principal amount of the Instruments outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Instrumentholders duly convened and held. 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 Instrumentholders. The Issuer may convene a meeting of Instrumentholders jointly with the holders of all other instruments issued pursuant to the Agency Agreement and not forming a single series with the Instruments to which meeting the provisions referred to above apply as if all such instruments formed part of the same series, provided that the proposals to be considered at such meeting affect the rights of the holders of the instruments of each series attending the meeting in identical respects (save insofar as the Conditions applicable to each such series are not identical).

### **12.2 Modification of the Trust Deed**

- (a) The Trustee may agree, without the consent of the Instrumentholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Instrumentholders.

- (b) The Trustee shall agree, without the consent of the Instrumentholders or Couponholders, to the addition of any covenants or restrictions applicable to the Issuer and/or the Guarantor under the Instrument provided that: (i) a director of each of the Issuer and the Guarantor has certified to the Trustee that the addition of any such covenants or restrictions applicable to the Issuer and/or the Guarantor under the Instruments is not materially prejudicial to Instrumentholders (upon which certificate the Trustee may rely absolutely, without further investigation and enquiry, and without liability to any persons) and (ii) in the opinion of the Trustee, such addition(s) will not have the effect of (x) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (y) increasing the obligations or duties of the Trustee under the Trust Deed, the Agency Agreement, the Instruments or the Coupons.
- (c) The Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances and as otherwise set out in Condition 4.3.7 without the consent of the Instrumentholders or Couponholders.

Any such modification, additional provisions, authorisation or waiver shall be binding on the Instrumentholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Instrumentholders as soon as practicable.

*Pursuant to Condition 12.2 of the Instruments, the Issuer and Guarantor have reserved the right, at any time and without Instrumentholder consent, to modify these Conditions in order to introduce additional covenants or restrictions to the terms of the Instruments if necessary or desirable at the relevant time in order to enable or facilitate any holding company of the Guarantor to raise indebtedness (which, accordingly, would be structurally subordinated indebtedness).*

### **12.3 Substitution**

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Instrumentholders or the Couponholders, to the substitution of certain other entities in place of the Issuer or Guarantor, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed and the Instruments. In the case of such a substitution the Trustee may agree, without the consent of the Instrumentholders or the Couponholders, to a change of the law governing the Instruments, the Coupons, the Talons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Instrumentholders.

### **12.4 Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Instrumentholders as a class and shall not have regard to the consequences of such exercise for individual Instrumentholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Instrumentholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Instrumentholders or Couponholders.

## **13 Replacement of Instruments, Coupons and Talons**

If an Instrument, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, listing authority and stock exchange regulations, at the specified office of such other Paying Agent as may from time to time be designated by the Issuer or the Guarantor for the purpose and notice of whose designation is given to Instrumentholders in accordance with Condition 15 on payment by the claimant of the fees and costs incurred in connection with that replacement and on such terms as

to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Instrument, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer or the Guarantor on demand the amount payable by the Issuer or the Guarantor in respect of such Instruments, Coupons or further Coupons) and otherwise as the Issuer and the Guarantor may require. Mutilated or defaced Instruments, Coupons or Talons must be surrendered before replacements will be issued.

#### **14 Further Issues**

The Issuer may from time to time without the consent of the Instrumentholders or Couponholders create and issue further instruments having the same terms and conditions as the Instruments in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Instruments include (unless the context requires otherwise) any other instruments issued pursuant to this Condition 14 and forming a single series with the Instruments.

#### **15 Notices**

All notices to the Instrumentholders will be valid if published in a daily English language newspaper of general circulation in the United Kingdom (which is expected to be the Financial Times). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice 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, as provided above.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Instruments in accordance with this Condition 15.

#### **16 Indemnification of Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor or any of their respective subsidiary undertakings, parent undertakings, joint ventures or associated undertakings without accounting for any profit resulting from these transactions and to act as trustee for the holders of any other securities issued by the Issuer or the Guarantor or any of its subsidiary undertakings, parent undertakings, joint ventures or associated undertakings.

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

No person shall have any right to enforce any term or condition of the Instruments under the Contracts (Rights of Third Parties) Act 1999.

#### **18 Governing Law and Jurisdiction**

- (a) The Trust Deed, the Instruments and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.
- (b) The courts of England have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising from or connected with the Instruments.

- (c) Each of the Issuer and the Guarantor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) Nothing in this Condition 18 prevents the Trustee or any Instrumentholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee or Instrumentholders may take concurrent Proceedings in any number of jurisdictions.

## **OVERVIEW OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM**

### **Initial Issue of Instruments**

If the Global Instruments are intended to be issued in NGN form, the Global Instruments will be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper. Depositing the Global Instruments with the Common Safekeeper does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

If the Global Instruments are to be issued in NGN form, the Issuer shall confirm to the Issuing and Paying Agent and to the clearing systems whether or not such Global Instruments are intended to be held in a manner which would allow recognition as eligible collateral for Eurosystem monetary policy and intra-day credit operations and if such relevant Global Instrument is to be deposited with one of the ICSDs as Common Safekeeper.

Global Instruments which are issued in CGN form may be delivered on or prior to the original issue date of the Tranche to the Common Depository.

If the Global Instrument is a CGN, upon the initial deposit of a Global Instrument with the Common Depository for Euroclear and Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Instruments equal to the principal amount thereof for which it has subscribed and paid. If the Global Instrument is an NGN, the principal amount of the Instruments shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the principal amount of Instruments represented by the Global Instrument and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Instruments which are initially deposited with the Common Depository or Common Safekeeper, as applicable, may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Instruments that are initially deposited with another clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of an Instrument represented by a Global Instrument must look solely to Euroclear, Clearstream, Luxembourg or an Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Instrument and in relation to all other rights arising under the Global Instruments, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Instruments for so long as the Instruments are represented by such Global Instrument and such obligations of the Issuer will be discharged by payment to the bearer of such Global Instrument in respect of each amount so paid.

The Trustee may call for any certificate or other document to be issued by Euroclear, Clearstream, Luxembourg or any other clearing system as to the principal amount of Instruments represented by a

Global Instrument standing to the account of any person. 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 Cedcom system) in accordance with its usual procedures and in which the holder of a particular principal amount of any other clearing system is clearly identified together with the amount of such holding. The Trustee shall not 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 Euroclear, Clearstream, Luxembourg or any other clearing system and subsequently found to be forged or not authentic.

## **Exchange**

### **1 Temporary Global Instruments**

Each temporary Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Instrument is issued in compliance with TEFRA C or in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Instruments defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Instrument or, if so provided in the relevant Final Terms, for Definitive Instruments.

### **2 Permanent Global Instruments**

Each permanent Global Instrument will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of Permanent Global Instruments*", in part for Definitive Instruments if the permanent Global Instrument is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Instrument is exchanged for Definitive Instruments, such Definitive Instruments shall be issued in Specified Denomination(s) only. An Instrumentholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Instrument in respect of such holding and would need to purchase a principal amount of Instruments such that it holds an amount equal to one or more Specified Denominations.

Accordingly, the 'exchangeable upon 40 days' notice' option at item 25 of the applicable Final Terms of any relevant Instruments should not be expressed to be applicable if the stated Specified Denomination of the Instruments includes language substantially to the following effect "(€100,000) and integral multiples of (€1,000) in excess thereof up to and including (€199,000)".

### **3 Partial Exchange of Permanent Global Instruments**

For so long as a permanent Global Instrument is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Instrument will be exchangeable in part on one or more occasions for Definitive Instruments if principal in respect of any Instruments is not paid when due.

## 4 Delivery of Instruments

If the Global Instrument is a CGN, on or after any due date for exchange the holder of a Global Instrument may surrender such Global Instrument or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Instrument, or the part of that Global Instrument to be exchanged, the Issuer will (i) in the case of a temporary Global Instrument exchangeable for a permanent Global Instrument, deliver, or procure the delivery of, a permanent Global Instrument in an aggregate principal amount equal to that of the whole or that part of a temporary Global Instrument that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Instrument to reflect such exchange or (ii) in the case of a Global Instrument exchangeable for Definitive Instruments, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Instruments or, if the Global Instrument is an NGN, the Issuer will procure that details of such exchange be entered pro rata in the records of the relevant clearing system. In this Prospectus, “**Definitive Instruments**” means, in relation to any Global Instrument, the Definitive Instruments for which such Global Instrument may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Instrument and a Talon). Definitive Instruments will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Instrument, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Instruments.

## 5 Exchange Date

“**Exchange Date**” means, in relation to a temporary Global Instrument, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Instrument, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Instruments when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

### Amendment to Conditions

The temporary Global Instruments and permanent Global Instruments contain provisions that apply to the Instruments which they represent, some of which modify the effect of the terms and conditions of the Instruments set out in this Prospectus. The following is a summary of certain of those provisions:

#### 1 Payments

No payment falling due after the Exchange Date will be made on any Global Instrument unless exchange for an interest in a permanent Global Instrument or for Definitive Instruments is improperly withheld or refused. Payments on any temporary Global Instrument issued in compliance with TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership. All payments in respect of Instruments represented by a Global Instrument in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Instruments, surrender of that Global Instrument to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Instrumentholders for such purpose. Each payment so made will to the relevant extent discharge the Issuer’s obligations to make the relevant payment in respect of the Instruments represented by that Global Instrument. If the Global Instrument is a CGN, a record of each payment so made will be endorsed on each Global Instrument, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Instruments. If the Global Instrument is an NGN, the Issuer shall procure that details of

each such payment shall be entered pro rata in the records of the relevant clearing system and in the case of payments of principal, the principal amount of the Instruments recorded in the records of the relevant clearing system and represented by the Global Instrument will be reduced accordingly. Payments under the NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Instrument, the relevant place of presentation shall be disregarded in the definition of "**business day**" set out in Condition 7.6 (*Non-business days*).

## **2 Prescription**

Claims against the Issuer in respect of Instruments which are represented by a permanent Global Instrument will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

## **3 Meetings**

The holder of a permanent Global Instrument shall (unless such permanent Global Instrument represents only one Instrument) be treated as being two persons for the purposes of any quorum requirements of a meeting of Instrumentholders and, at any such meeting, as having one vote in respect of each integral currency unit of the Specified Currency of the Instruments for which it may be exchanged in accordance with its terms.

## **4 Cancellation**

Cancellation of any Instrument represented by a permanent Global Instrument which 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 permanent Global Instrument.

## **5 Purchase**

Instruments represented by a permanent Global Instrument may only be purchased by the Issuer or any of its subsidiary undertakings if they are purchased together with the rights to receive all future payments of interest (if any) on those Instruments.

## **6 Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Instruments while such Instruments are represented by a permanent Global Instrument shall be exercised by the Issuer giving notice to the Instrumentholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Instruments drawn in the case of a partial exercise of an option and accordingly no drawing of Instruments shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Instruments of any Series, the rights of account holders with a clearing system in respect of the Instruments will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg either as a pool factor or as a reduction in principal amount, at their discretion) or any other clearing system (as the case may be).

## **7 Instrumentholders' Options** Any option of the Instrumentholders provided for in the Conditions of any Instruments while such Instruments are represented by a

permanent Global Instrument may be exercised by the holder of the permanent Global Instrument giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Instruments with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Instruments in respect of which the option has been exercised, and stating the principal amount of Instruments in respect of which the option is exercised and at the same time, where the permanent Global Instrument is a CGN, presenting the permanent Global Instrument for notation. Where the Global Instrument is an NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the principal amount of the Instruments recorded in those records will be reduced accordingly.

## **8 NGN principal amount**

Where the Global Instrument is an NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Instruments, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the principal amount of the Instruments represented by such Global Instrument shall be adjusted accordingly.

## **9 Trustee's Powers**

In considering the interests of Instrumentholders while any Global Instrument is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Instrument and may consider such interests as if such accountholders were the holders of the Instruments represented by such Global Instrument.

## **10 Events of Default**

Each Global Instrument provides that the Trustee, at its discretion, may, and if so requested by holders of at least one-quarter in principal amount of the Instruments then outstanding or if so directed by an Extraordinary Resolution, shall cause such Global Instrument, or a portion of it, to become due and repayable in the circumstances described in Condition 10 (*Events of Default*) by stating in the notice to the Issuer the principal amount of such Global Instrument which is becoming due and repayable. If principal in respect of any Instrument is not paid when due, only the Trustee may enforce the rights of the Instrumentholders against the Issuer or the Guarantor under the terms of the Trust Deed unless the Trustee, having become bound to proceed, fails to do so within a reasonable time and such failure is continuing.

## **11 Notices**

So long as any Instruments are represented by a Global Instrument and such Global Instrument is held on behalf of a clearing system, notices to the holders of Instruments of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Instrument.

## 12 Electronic Consent and Written Resolution

While any Global Instrument is held on behalf of a clearing system, then:

- (a) approval of a resolution proposed by the Issuer, the Guarantor or the 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 95 per cent. in principal amount of the Instruments outstanding (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 Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Instrumentholders duly convened and held, and shall be binding on all Instrumentholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (b) 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, the Guarantor and the Trustee shall be entitled to rely (i) on consent or instructions given in writing directly to the Issuer, the Guarantor and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Instrument and/or, (ii) where 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, the Guarantor and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (i) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (ii) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (ii) above. Any resolution passed in such manner shall be binding on all Instrumentholders and Couponholders, even if the relevant consent or instruction proves to be defective. 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 Instruments is clearly identified together with the amount of such holding. None of the Issuer, the Guarantor or the 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.

## USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Instruments will be used for general corporate purposes. If in respect of an issue of Instruments, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms. An example of such particular identified use of proceeds may be, if so designated in the relevant Final Terms, the allocation of net proceeds from the issue of a Series of Instruments (the “**Green Instruments**”) to the financing, refinancing and/or investment in the Eligible Green Portfolio (as defined below) meeting the Eligibility Criteria (as defined below) or other portfolio with environmental benefits which meet certain defined criteria as set out in the applicable Final Terms. The Final Terms will specify whether or not the Instruments under an issuance will be Green Instruments.

For the purposes of this section:

“**Eligibility Criteria**” means the criteria prepared by the Issuer. A third party consultant will review the Eligible Green Portfolio and issue a Green Portfolio Opinion. The Green Portfolio Opinion will be made available on the Issuer’s website at [www.cadentgas.com](http://www.cadentgas.com).

“**Eligible Green Portfolio**” means a portfolio of Eligible Green Projects.

“**Eligible Green Projects**” means sustainable gas distribution projects with a reduced climate footprint.

“**Green Portfolio Opinion**” means an opinion based on the Eligibility Criteria prepared by a third party consultant.

Pending allocation of the net proceeds for investment in the Eligible Green Portfolio, the Issuer will hold such net proceeds in an operating account, at its discretion, in the form of cash or other investments. The balance of the Eligible Green Portfolio, until such amount is used in full, will be periodically adjusted to match allocations to Eligible Green Projects. The Issuer will establish systems to monitor and account for the net proceeds for investment in the Eligible Green Portfolio meeting the Eligibility Criteria.

The Issuer is expected to issue a report on (i) the portfolio to which proceeds of Green Instruments have been allocated and the amounts allocated and (ii) the expected impact of the Eligible Green Portfolio on the environment. This report will be issued once a year until all Green Instruments are repaid in full or until the maturity date of those Green Instruments. The report will be reviewed by a third party consultant or with limited assurance by an independent auditor. In addition, the Issuer is expected to provide regular information through its website [www.cadentgas.com](http://www.cadentgas.com) on the environmental outcomes of the Eligible Green Portfolio.

## DESCRIPTION OF THE GUARANTOR

### Incorporation

Cadent Gas Limited was incorporated in England and Wales on 23 March 2016 as a private limited company under the Companies Act 2006. Cadent's registered number is 10080864. Cadent was formerly National Grid Gas Distribution Limited and changed its name to Cadent Gas Limited on 2 May 2017. The address of Cadent's registered office is Ashbrook Court Prologis Park, Central Boulevard, Coventry, United Kingdom, CV7 8PE and the telephone number of the registered office is 02476 052697.

### Subsidiaries

Cadent is a wholly owned subsidiary of Quadgas MidCo Limited ("**MidCo**"), which, prior to Hive Out (as defined below), had no previous liabilities.

FinCo is a wholly owned subsidiary of Cadent.

### Directors

As at the date of this Prospectus, the Directors of Cadent and their principal activities outside of Cadent are as follows:

Name	Principal Occupation	Principal Activities outside OpCo
Abdulla Al-Ansari (alternate)	Investment Manager	Director of Alhosn Investment Company, Asaffa food co., Oman and Qatar insurance company and Quadgas Investments Bidco Limited and 4 subsidiaries including Cadent Gas Limited.
Nicholas Axam (alternate)	Investment Manager	Director of Quadgas Holdings Topco Limited and 5 subsidiaries including Cadent Gas Limited, 3 companies in the WoDS Transmission group and 10 entities in the Dalmore Capital Limited group.
Dr. Catherine Bell	Director	Director of National Grid Gas PLC, National Grid Electricity Transmission PLC and Horder Healthcare. Member of the Competition Appeals Tribunal.
Mark Braithwaite	Director	Director of 23 entities in the Arqiva group, 6 entities in the Viesgo group, Innogy Grid Holding, a.s., Kemble Water International Holdings Limited, MEIF II Kemble GP Limited, Elenia Oy, Leadership Through Sport and Business, Quadgas Holdings Topco Limited and 5 subsidiaries, including Cadent Gas Limited and Cadent Finance plc.
Iain Coucher	Director	Director of AWE ML Limited, AWE plc and one subsidiary company, Quadgas Holdco Limited and 3 subsidiaries including Cadent Gas Limited. Trustee of Conservation Education and Research Trust (Earthwatch Europe).
Richard Greenleaf (alternate)	Director	Director of MIRA Core Gas Limited, Quadgas Holdco Limited and 3 subsidiaries including Cadent Gas Limited. Manager at Macquarie Corporate Holding Pty Limited.
Michael Gregory	Director	Director of IPP Holdings 1 Limited and 136 subsidiaries, Amber Infrastructure Group Holdings Limited and 47 subsidiaries, Ambrite Lift Holdings Limited and 1 subsidiary

		and Quadgas Investments Bidco Limited and 4 subsidiaries, including Cadent Gas Limited.
Howard Higgins	Director	Director of LMIF Storage Holdings Ltd, Lombard Odier Infrastructure Fund GP Limited, Macquarie Storage Holdings Limited, Philippine Coastal Storage & Pipeline Corp., Tanquid Administration Limited, Edward Holdings and 4 subsidiaries and Quadgas Holdings Topco Limited and 5 subsidiaries, including Cadent Gas Limited. Manager at Infrastructure Funds Sarl and member at Innogy Grid Holding a.s.
Stephen Hurrell	Chief Financial Officer	None.
Deven Karnik	Director	Head of Infrastructure at Qatar Investment Authority. Director of HK Electric Investments Limited, HK Electric Investments Manager Limited, The Hong Kong Electric Company Limited and Quadgas Holdings Topco Limited and 5 subsidiaries, including Cadent Gas Limited. Alternate Director of ADI Finance 1 Limited, ADI Finance 2 Limited, FGP Topco Limited and Heathrow Airport Holdings Limited.
Jaroslava Korpancova	Director	Director of 9 entities in the Affinity Water group, Daiwater Investment Limited, Net4Gas Holdings s.r.o. and Quadgas Holdings Topco Limited and 8 subsidiaries including Cadent Gas Finance plc and Cadent Gas Limited. Member of Supervisory Board of Net4Gas s.r.o.
Eduard Fidler	Investment Director	Director of Quadgas Holdco Limited and 3 subsidiaries including Cadent Gas Limited.
Sir Adrian Montague	Chairman	Director of Aviva plc and 9 subsidiaries. Chairman of Manchester Airports Group plc, Point of Care Foundation and Trustee for the Commonwealth War Graves Foundation.
Mark Mathieson	Director	Director of MIRA Core Gas Limited, Nortegas Energia Grupo, Mark Mathieson Consulting Limited, Smart DCC Limited, Quadgas Holdco Limited and 3 subsidiaries including Cadent Gas Limited. Manager at Macquarie Corporate Holding Pty Limited.
Perry Noble (alternate)	Infrastructure Partner	Director of Long Harbour Holdings Limited, Associated British Ports Holdings Limited, ABP (Jersey) Ltd, Braes of Doune Wind Farm (Scotland) Limited, Fallago Rig Windfarm Limited, Tortoise GP (I) Limited, 5 entities in the Thames Water Group, 4 entities in the Hutchinson Water Group, Quadgas Holdco Limited and 3 subsidiaries including Cadent Gas Limited and 12 entities in the Hermes Infrastructure group. Member of Tortoise Investments LLP.
Hua Su (alternate)	Investment Professional	Director of Quadgas Holdco Limited and 3 subsidiaries including Cadent Gas Limited.
Christopher Train	Director	Director of Cadent Finance plc, Quadgas Finance plc, Cadent Services Limited and Energy Networks Association.

David Xie	Investment Professional	Director of ADI Finance 1 Limited, ADI Finance 2 Limited, FGP Topco Limited, Heathrow Airport Holdings Limited, Quadgas Investments Bidco Limited and 4 subsidiaries, including Cadent Gas Limited.
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The business address of each of the Directors of Cadent is Ashbrook Court Prologis Park, Central Boulevard, Coventry, United Kingdom, CV7 8PE.

There are no potential conflicts of interest between the duties to Cadent of each of the Directors listed above and their private interests or other duties.

### Ownership of Cadent

Cadent Gas Limited is indirectly jointly owned by National Grid Holdings One plc (39%) and Quadgas Investments Bidco Limited (61%). Quadgas Investments BidCo Limited is owned by a consortium comprising Macquarie Infrastructure and Real Assets, Allianz Capital Partners, Hermes Investment Management, CIC Capital Corporation (a Chinese sovereign wealth fund), Qatar Investment Authority, Dalmore Capital and Amber Infrastructure Limited/International Public Partnerships (the “**Consortium**”).

On 8 November 2018, National Grid plc announced its intention to sell its 39 per cent. equity interest in Quadgas Holdco Limited to the Consortium by the end of June 2019, subject to regulatory approvals.

### Overview of Cadent Gas Limited

Cadent is the largest distributor of gas in Great Britain, owning and operating four of the eight regulated gas distribution networks (East of England, North London, North West England, and West Midlands). This includes some of the largest and most densely populated cities in Great Britain, including London, Birmingham and Manchester.

The business controls and operates a wide range of infrastructure assets required to provide safe and efficient gas distribution including pipes, warehouses and a fleet of vehicles. The four networks operate approximately 131,000 kilometres of lower-pressure gas distribution mains, serving 10.9 million consumers.

Cadent operates within a regulated environment under the industry regulator Ofgem, and must abide by a price control framework. The framework sets out the maximum allowed revenues to be collected over a specified period of time, and performance is monitored on an annual basis. The current regulatory period RII0-GD1 (“**RIIO**” means revenue = incentives + innovation + outputs and “**GD1**” means Gas Distribution 1) runs from April 2013 until March 2021.

As at 31 March 2018, Cadent’s gas distribution networks had approximately 131,000 kilometers of pipeline with an aggregate regulatory asset value (“**RAV**”) of £9.4 billion, representing approximately half of the industry’s asset base.

It is intended that on an on-going basis the target total consolidated debt in OpCo and its subsidiaries (on a nominal amount basis) should represent around 65 per cent. of the RAV at OpCo. Cadent confirms that as at 30 September 2018 its target total consolidated debt (on a nominal amount basis) represented 62 per cent. of OpCo’s RAV.

## Overview of Cadent's gas distribution networks

As of 31 March 2018	East of England	North London	North West England	West Midlands	Total
End connections (MM)	4.02	2.27	2.69	1.96	<b>10.94</b>
Gas distributed (mcm)	9,205	4,773	6,145	4,218	<b>24,341</b>
Length of pipes (km)	51,780	20,931	34,190	24,210	<b>131,111</b>
RAV (MM)	£3,193	£2,232	£2,236	£1,689	<b>£9,350</b>

Source: Company information

National Grid Gas PLC's ("NGG") national transmission system ("NTS") offtakes mark the majority of points at which gas enters Cadent's gas distribution networks. Offtakes normally comprise of an above ground site containing equipment for filtration, pressure management, measurement and odorisation as well as instrumentation and telemetry equipment that enable remote monitoring and control of the gas flows. Cadent owns and operates 50 offtakes through which it receives gas from the NTS. Gas also enters the gas distribution networks from embedded sites such as biomethane injections points and can be stored in a gas storage cavity at Holford.

The gas distribution system consists of a series of variable pressure systems. From the offtake, gas enters the high pressure system. This cathodically protected network of steel pipes, with a total length of 4,986 kilometres, conveys gas at variable pressures between 7 and 70 bar. The gas distribution system has the ability to vary pressures in a fixed volume pipe, creating an effective gas storage mechanism, known as linepack. The high pressure system has flexibility such that pressure can be increased at times of low demand such as overnight and reduced at times of high demand. The high pressure system also directly feeds certain large industrial gas users, such as power stations.

As the high pressure system nears end consumers, around 600 high pressure reduction stations reduce the pressure to operating levels of below 7 bar, for entry into the intermediate and medium pressure system. With a total length of 17,325 kilometres, the intermediate and medium pressure system carries gas to towns and villages at pressures between 75 mbar and 7 bar.

As pressures decrease, pipeline specification also changes, typically reducing in diameter and transitioning from metallic to a polyethylene material.

A total of 4,203 industrial and commercial pressure reduction stations operating at less than 7 bar enable gas supply directly to industrial and commercial users. For the heavily domesticated fed networks, the medium and low pressure systems are regulated through one of Cadent's 9,266 district governors less than 7 bar pressure reduction stations of which approximately 3953 are equipped with telemetry for control and monitoring purposes, which enables Cadent to minimise loss of gas and associated environmental impact.

The low pressure distribution system, which operates within a range between 21 mbarg and 75 mbarg, is by far the largest part of the pipeline system, representing a total of 108,801 kilometres of pipes and making up 83 per cent. of the total length. Low pressure mains are primarily made of polyethylene, cast iron, ductile iron or steel, and carry gas in the most highly populated areas.

From the low pressure distribution system, gas flows through an emergency control valve and a meter to consumers' pipework and gas appliances. Gas apparatus after the emergency control valve are outside the scope of the gas distribution network's regulated activities.

## Operational infrastructure and Operating Model

Cadent is managed centrally from the Gas Distribution Control Centre and Customer Centre located in Hinckley with a business service centre in Coventry.

All aspects of workforce planning are handled centrally along with work scheduling, dispatch and data management. This enables Cadent to undertake all elements of work management from a single location, applying an integrated approach across each of Cadent's four gas distribution networks, driving consistent, standardised end-to-end operating processes in the delivery of its key activities.

Physical engineering work is delivered by geographically dispersed teams strategically deployed across the territory to keep the networks operating in line with customer requirements and regulatory commitments. The distribution network is subject to an ongoing 'mains replacement' programme, which is predominantly undertaken on an outsourced basis, the vast majority of this via an 8 year contract with a small number of national/multinational utility service suppliers.

Cadent's operating model consists of a number of functions covering Operations, Safety and Network Strategy, Construction, Customer Performance, Regulation and External Affairs, Finance, Property and Procurement, Information Systems, Human Resources and Legal.

### **Credit Ratings**

As at the date of this Prospectus, Cadent has been rated 'Baa1 (stable)' by Moody's, 'BBB+ (Issuer Default Rating and stable outlook)' by Fitch and 'BBB+ (stable)' by S&P.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

### **Regulatory Framework**

The supply, transportation and shipping of gas in Great Britain are regulated under the Gas Act 1986 (the "**Gas Act**"). The regimes for gas and electricity are administered in Great Britain by a sectoral regulator, the Gas and Electricity Markets Authority ("**GEMA**") through its secretariat, the Office of Gas and Electricity Markets ("**Ofgem**") which was established by the Utilities Act 2000. In addition, the HSE is responsible for safety-related regulation of the gas transportation and LNG storage businesses.

The gas distribution businesses of the Guarantor is operated pursuant to a gas transporter licence (the "**Licence**") granted (or treated as granted) under the Gas Act.

The Gas Act and the Licence oblige the Guarantor to develop, maintain and operate an economic and efficient pipeline system for the conveyance of gas in Great Britain. These obligations also require the Guarantor to comply, so far as it is economical for it to do so, with all reasonable requests to connect to the respective systems and convey gas by means of those systems to any premises or other pipeline system. The Guarantor must also facilitate competition in the supply of gas in Great Britain. The Gas Act also provides the licensed businesses' statutory powers such as the right to bury Cadent's pipes under public highways and the ability to purchase land compulsorily in order to facilitate the conduct of its businesses.

The Licence sets out the responsibilities of the business in respect of charging, system access/use of system, metering and other specific obligations required for the proper functioning of the relevant activity and also restrict the revenues which the business may derive from its licensed activities (known as the "**price controls**"). The Licence also requires the Guarantor to conduct its transportation business in the manner best calculated to secure that neither Cadent (or any affiliate or related undertaking), any gas shipper or supplier nor any other gas transporter operating a distribution network obtains an unfair commercial advantage including, in particular, any advantage from a preferential or discriminatory arrangement.

The Licence can only be amended either in accordance with (i) the procedures contained in the Licence itself or (ii) the Gas Act. The Licence continues in force until determined by not less than 10 years' notice in writing given by GEMA or otherwise revoked in accordance with the terms of the Licence (such as in the event of financial default).

The Licence contains conditions which have the effect of restricting Cadent's gas distribution business. These include:

- (a) prohibiting the Guarantor from carrying on activities other than those permitted by the Licence;
- (b) requiring that each business has sufficient managerial and financial resources available to it to conduct the relevant licensed activities;
- (c) requiring the Guarantor to maintain an investment grade issuer credit rating;
- (d) prohibiting the Guarantor from creating indebtedness or entering into any other obligations (except in limited circumstances) other than on an arm's length basis on normal commercial terms for one of its permitted purposes;
- (e) prohibiting the creation of "cross-default" obligations (i.e. those under which the licensee's liabilities can arise, be accelerated or increased by the default of a third party);
- (f) prohibiting Cadent from giving or receiving any cross-subsidy from any other group business; and
- (g) restricting the disposal or relinquishment of operational control over any transportation asset (pipeline, facility used for gas storage, land) and the granting of any security over receivables (contractual right to receive sum or other financial asset).

If the Guarantor is in default of any of these obligations, it is prohibited from declaring and paying a dividend.

The Gas Act provides that GEMA may impose legally enforceable orders or financial penalties on the Guarantor for contravening conditions of the Licence or contravening a relevant requirement of that Act or the Utilities Act 2000.

The level of revenue which Cadent may receive from the supply of gas transportation services is set out in the price control conditions contained in the Licence. The current price controls are set for a period of eight years by GEMA, with the agreement of the Guarantor (see "*RIIO price controls*" below). The price control includes a number of mechanisms to achieve its objectives, including financial incentives designed to encourage the Guarantor to continuously improve the cost and effectiveness of its services; manage and operate its networks efficiently; deliver high quality services to its customers and wider stakeholder community; and to invest in the development of the network in a manner that ensures long-term security of supply.

Details of the current price controls applicable to the Guarantor are given below.

### **RIIO price controls**

On 1 April 2013, Ofgem introduced a new regulatory framework called RIIO (Revenue = Incentives + Innovation + Outputs), with the first price control agreed under the new framework lasting for eight years. The building blocks of the RIIO price control are broadly similar to the historical price controls used in the UK; however there are some significant differences in the mechanics of the calculations.

### **How is revenue calculated?**

Under RIIO, the outputs that the Guarantor delivers are clearly articulated and are integrally linked to the calculation of its allowed revenue. These outputs have been determined through an extensive consultation process, which has given stakeholders a greater opportunity to influence the decisions.

The six output categories are:

- **Safety:** ensuring the provision of a safe energy network;
- **Reliability (and availability):** promoting networks capable of delivering long-term reliability, as well as minimising the number and duration of interruptions experienced over the price control period, and ensuring adaptation to climate change;

- *Environmental impact*: encouraging companies to play their role in achieving broader environmental objectives – specifically facilitating the reduction of carbon emissions – as well as minimising their own carbon footprint;
- *Customer and stakeholder satisfaction*: maintaining high levels of customer satisfaction and stakeholder engagement and improving service levels;
- *Customer connections*: encouraging networks to connect customers quickly and efficiently; and
- *Social obligations*: extending the gas network to communities that are fuel poor where it is efficient to do so and introducing measures to address carbon monoxide poisoning incidents.

Within each of these output categories there are a number of primary and secondary deliverables, reflecting what the Guarantor’s stakeholders want it to deliver over the coming price control period. The nature and number of these deliverables varies according to the output category, with some linked directly to the Guarantor’s allowed revenue, some linked to legislation, and others having only a reputational impact. Ofgem, using information submitted by Cadent along with independent assessments, determines the efficient level of expected costs necessary to deliver them. Under RIIO this is known as total allowable expenditure (“**totex**”), and is the sum of controllable operating expenditure (“**opex**”), capital expenditure (“**capex**”) and replacement expenditure (“**repex**”).

A number of assumptions are necessary in setting these outputs, such as certain prices or the volume of work that will be needed. As a result, to protect the Guarantor and its customers from windfall gains and losses, there are a number of uncertainty mechanisms within the RIIO framework that can result in adjustments to allowed totex if actual prices or volumes differ from the assumptions. Where the Guarantor under- or over-spends against the allowed totex there is a sharing factor. This means the under- or over-spend is shared between the Guarantor and its customers through an adjustment to revenues in a future year. This sharing factor provides an incentive for the Guarantor to provide the outputs as efficiently as it is able and to retain approximately 63 per cent. of any totex savings against the regulatory approved totex allowance, with the remainder benefiting its customers.

RIIO has given innovation more prominence. Innovation includes traditional areas such as new technologies, as well as the broader challenge of finding new ways of working to deliver outputs more efficiently. This broader challenge has an impact on everyone in the Guarantor’s business.

Allowed totex costs are then split between fast and slow money, a concept under RIIO, based on a specified percentage that is fixed for the duration of the price control (except for UK Gas Distribution’s repex which changes on a linear scale across the price control). Fast money represents the amount of totex that the Guarantor is able to recover in the year to which the totex relates. Slow money is added to its regulatory asset value (“**RAV**”). In addition to fast money, in each year the Guarantor is allowed to recover a portion of the RAV (regulatory depreciation) and a return on the outstanding RAV balance.

The regulatory depreciation calculation for UK Gas Distribution has changed for RIIO GD-1 from 45 years straight line to 45 years sum of digits for assets added post 2002.

Cadent is also allowed to collect additional revenues related to non-controllable costs and incentives.

The incentive mechanisms can increase or decrease the Guarantor’s allowed revenue and result from its performance against various measures related to its outputs. RIIO has introduced new incentive mechanisms as a way to provide further incentives to align the Guarantor’s objectives with those of its customers and other stakeholders. For example, performance against its customer satisfaction and stakeholder engagement targets can have a positive or negative effect of up to 1 per cent. of allowed annual revenues. Incentives will normally affect the Guarantor’s revenues two years after the year of performance.

The RIIO controls for Cadent were introduced on 1 April 2013 (in its prior form as part of NGG) and the first price control period lasts for eight years. During the eight-year period, Ofgem included a provision for a potential

mid-period review, with scope driven by changes to outputs that can be justified by clear changes in government policy; and the introduction of new outputs that are needed to meet the needs of consumers and other network users. In November 2015, Ofgem launched a consultation on a potential RIIO-GD1 mid-period review. Their decision was that there was no requirement to carry out a mid-period review but that they wished to consult on output accountability. This consultation also determined that there was no requirement for a change of the RIIO controls with the exception of resetting of interruption targets (not a financial driver) and Cadent's proposal to refund consumers £53.9 million of planned investment (2009/10 prices) repex allowance for medium pressure iron mains replacement work in the London network which will be deferred to a future price control period. In July 2017, following industry consultation, Ofgem accepted Cadent's refund proposal. Due to the fact that most of this expenditure is funded to Cadent over the long term, Cadent will experience revenue adjustments in the remainder of RIIO-GD1 in the order of £13 million.

Under the RIIO controls, the Guarantor is required to deliver agreed outputs for its consumers and is funded to cover the costs of delivering these. The eight-year price control period includes a number of uncertainty mechanisms to take account of the fact that some outputs and funding cannot be set with certainty at the start of the period. Ofgem have already agreed increased totex allowances for uncertainty mechanisms on streetworks (as a result of new legislation which was introduced) and site security (as a result of stakeholder agreement) and Cadent expects to submit a further claim for increased costs as a result of to the industry roll out of smart meters through to 2020.

In May 2018 Cadent submitted a claim in accordance with the RIIO1 uncertainty mechanism for additional streetworks costs of £21m (in 2009/10 prices), arising from Highway Authority Permit Schemes in its East of England network. Following a robust challenge and review process by Ofgem and public consultation, it agreed with the majority of the claim and awarded costs of £17m to Cadent (2009/10 prices).

### **Timetable for the development of the next price control**

Ofgem's latest published timetable for development of the RIIO-2 framework is shown below. The timeline is indicative and may be subject to further change as Ofgem's plans evolve.



*Source: Ofgem, RIIO-2 Framework Decision, July 2018*

Ofgem has completed an initial framework review consultation which concluded in July 2018 with certain decision points being made. The decision document confirmed that RIIO-2 will be a five year price control, commencing on 1st April 2021 for Gas Distribution Networks. A sector specific consultation is expected to commence in December 2018, concluding at the end of spring of 2019. The current timeline requires Network companies to submit their RIIO-2 business plans in December 2019, following a new process for intensive

customer and stakeholder engagement, challenge and review. Final determination of the price control will occur in December 2020, with associated Licence development completing in the first quarter of 2021.

### **Midco Financing**

Cadent's shareholders put in place an investment grade financing platform in a ring-fenced group of companies at the level of the direct holding company ("**Quadgas Midco**") of Cadent's regulated business (the "**Midco Financing**").

The Midco Financing is a multi-source secured financing platform at the Quadgas Midco level including capital market financing, hedging, private placements, term loans, and other forms of debt. All the secured creditors under the multi-source secured debt platform benefit from a common security package, common covenants and common intercreditor terms.

The Issuer and Guarantor are part of the ring-fenced group and the shares in the Guarantor are secured for the benefit of the secured creditors at the Quadgas Midco level. However, in relation to the Midco Financing, the secured creditors in respect of the Midco Financing have only limited recourse to the Guarantor.

The Issuer and the Guarantor have not guaranteed the debt (or other) obligations created at the level of the Midco Financing. The Guarantor has given certain representations and undertakings (in respect of itself and the Issuer) in respect of the Midco Financing, the majority of which are either administrative (including as to due incorporation and having the power to perform their respective obligations) or relate to requirements to which the Issuer and Guarantor are already subject (such as pursuant to the Guarantor's Licence). Representations or undertakings of the Guarantor that do not fall into the above categories relate to the following key areas:

- **Operation of Business:** not suspending or abandoning a material part of its appointed businesses;
- **Mergers, acquisitions and joint ventures:** not entering into any such transactions (subject to certain permitted exceptions which would support its appointed businesses);
- **Loans:** not being a creditor in respect of financial indebtedness (subject to a number of permitted exceptions);
- **Hedging Transactions:** not entering into hedging transactions for speculative purposes;
- **Restricted Payments:** not making any payment (e.g. distributions, dividends, etc.) to an affiliate (other than Quadgas Midco) during times of financial stress for the Midco Financing;
- **Dividends:** an obligation to declare dividends to enable Quadgas Midco to make payments under the Midco Financing (subject to a significant list of exclusions including directors' duties, Licence requirements and availability of funds);
- **Insurances:** an obligation to maintain insurances with reputable insurance companies.

As neither Issuer nor the Guarantor has provided a guarantee in respect of the Quadgas Midco-level debt, no Quadgas Midco creditor may claim against either Issuer or the Guarantor for the amount of the debt owed to it. Instead, claims by any Quadgas Midco creditor against the Guarantor in respect of any breach of a representation or undertaking given by the Guarantor in relation to the Midco Financing would be limited to a damages claim for breach of contract (and subject to satisfying standard loss, causation and remoteness requirements in making any such claim).

## DESCRIPTION OF CADENT FINANCE PLC

FinCo was incorporated in England and Wales on 3 August 2006 as a public company limited by shares under the Companies Act 1985. FinCo's registered number is 5895068. FinCo was formerly National Grid Gas Finance plc and changed its name to Cadent Finance plc on 2 May 2017. The address of FinCo's registered office is Ashbrook Court Prologis Park, Central Boulevard, Coventry, United Kingdom, CV7 8PE and the telephone number of the registered office is 02476 052697.

FinCo's activities are solely those of a finance company.

FinCo is a wholly owned subsidiary of OpCo, which is wholly owned by MidCo. FinCo has no subsidiaries as at the date of this Prospectus.

As at the date of this Prospectus, the Directors of FinCo and their principal activities outside FinCo are as follows:

<b>Name</b>	<b>Principal Occupation</b>	<b>Principal Activities outside FinCo</b>
Mark Braithwaite	Director	Director of 23 entities in the Arqiva group, 6 entities in the Viesgo group, Innogy Grid Holding, a.s., Kemble Water International Holdings Limited, MEIF II Kemble GP Limited, Elenia Oy, Leadership Through Sport and Business, Quadgas Holdings Topco Limited and 5 subsidiaries, including Cadent Gas Limited and Cadent Finance plc.
Jaroslava Korpancova	Director	Director of 9 entities in the Affinity Water group, Daiwater Investment Limited, Net4Gas Holdings s.r.o., and Quadgas Holdings Topco Limited and 8 subsidiaries including Cadent Finance plc and Cadent Gas Limited. Member of Supervisory Board of Net4Gas s.r.o.
Christopher Train	Director	Director of Cadent Gas Limited, Quadgas Finance plc, Cadent Services Limited and Energy Networks Association.

The business address of each of the Directors of FinCo is Ashbrook Court Prologis Park, Central Boulevard, Coventry, United Kingdom, CV7 8PE.

There are no potential conflicts of interest between the duties to FinCo of each of the Directors listed above and their private interests or other duties.

## TAXATION

### United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment, at the date hereof, in relation to payments of principal and interest in respect of the Instruments. It is based on current United Kingdom tax law as applied in England and Wales and the published practice of HM Revenue and Customs ("HMRC") (which may not be binding on HMRC), both of which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Instruments. The comments relate only to the position of persons who are absolute beneficial owners of the Instruments. Prospective Instrumentholders should be aware that the particular terms of issue of any series of Instruments as specified in the relevant Final Terms may affect the tax treatment of that and other series of Instruments. The following is a general guide for information purposes which is not intended to be exhaustive and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Instrumentholders who are in any doubt as to their tax position should consult their professional advisers. Instrumentholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Instruments 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 Instruments. In particular, Instrumentholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Instruments even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

#### **(A) U.K. Withholding Tax on U.K. Source Interest**

The Instruments issued by the Issuer which carry a right to interest will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 (the "**Act**") or admitted to trading on a "multilateral trading facility" (within the meaning of section 987 of the Act). The London Stock Exchange is a recognised stock exchange for these purposes. Instruments will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) by the United Kingdom Listing Authority and are admitted to trading on the Regulated Market of the London Stock Exchange or the Professional Securities Market of the London Stock Exchange. Whilst the Instruments are and continue to be quoted Eurobonds, payments of interest by the Issuer on the Instruments may be made without withholding or deduction for or on account of United Kingdom income tax.

In all cases falling outside the exemption described above, interest on the Instruments will generally fall to 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 pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. However, the obligation to withhold will not apply if the relevant interest is paid on Instruments with a maturity date of less than one year from the date of issue and which (i) are not issued under a scheme or arrangement the intention or effect of which is to render such Instruments part of a borrowing with a total term of a year or more and (ii) are not issued under a scheme or arrangement the intention of which is to render such Instruments part of a borrowing capable of remaining outstanding for a total term of a year or more.

## **(B) Other Rules Relating to United Kingdom Withholding Tax**

Instruments may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Instruments should not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in (A) above.

Where Instruments are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. United Kingdom withholding tax requirements in relation to payments of interest are outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Instrumentholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references in this part to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Instruments or any related documentation. Instrumentholders should seek their own professional advice, as regards the withholding tax treatment of any payment on the Instruments which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer pursuant to Condition 12.3 of the Instruments or otherwise and does not consider the tax consequences of any such substitution.

## **(C) Payments in Respect of the Guarantee**

The United Kingdom withholding tax treatment of payments by the Guarantor under the terms of the Guarantee in respect of interest on the Instruments (or other amounts due under the Instruments other than the repayment of amounts subscribed for the Instruments) is uncertain. In particular, such payments by the Guarantor may not be eligible for the exemption in respect of securities listed on a recognised stock exchange described above in relation to payments of interest by the Issuer. Accordingly, if the Guarantor makes any such payments, these may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.) subject to such reliefs as may be available.

## **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 Instruments, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, 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 Instruments, such withholding would not apply to foreign passthru payments prior to 1 January 2019 and Instruments that have a fixed term and that are not treated as equity for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. federal register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Instruments (as described under "*Terms and Conditions of the Instruments – Further Issues*") that are not distinguishable

from grandfathered Instruments are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Instruments, including grandfathered Instruments, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Instruments.

In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Instruments, neither the Issuer nor any paying agent or any other person would be required to pay additional amounts as a result of the deduction or withholding.

## PLAN OF DISTRIBUTION

### Summary of Agreement

Subject to the terms and on the conditions contained in an Amended and Restated Dealer Agreement dated 19 December 2018 (as amended or supplemented from time to time) between the Issuer, the Guarantor, the Permanent Dealers and the Arranger (the “**Dealer Agreement**”), the Instruments will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to issue Instruments directly on its own behalf to dealers which are not Permanent Dealers. If also agreed between the Issuer and the Dealers, the Instruments may also be issued by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Instruments to be issued in syndicated Tranches which are jointly and severally underwritten by two or more Dealers. The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments.

### Selling Restrictions

#### United States

Neither the Instruments nor the Guarantee have been, and neither will be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and the Instruments and the Guarantee may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act (“**Regulation S**”) or in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether TEFRA C or TEFRA D apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Instruments and the Guarantee of any identifiable Tranche, (i) as part of its distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined and certified to the Issuer or the Issuing and Paying Agent by such Dealer, or in the case of Instruments and the Guarantee issued on a syndicated basis, by each of such Dealers, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Instruments and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Instruments and the Guarantee, an offer or sale of Instruments and the Guarantee within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

#### Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Prospectus as completed by the applicable Final Terms or Pricing Supplement (as the case may

be) in relation thereto to any retail investor in the EEA. For the purposes of this provision 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 MiFID II; and
- (b) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **United Kingdom**

Each Dealer has represented, warranted and agreed that:

- (a) in relation to any Instruments which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Instruments would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA (and all rules and regulations made pursuant to the FSMA) with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

### **Japan**

Each Dealer has represented that it understands, and each further Dealer appointed under the Programme will be required to represent that it understands, that the Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Dealers has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Instruments in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other applicable laws, regulations and ministerial guidelines of Japan.

### **General**

These selling restrictions may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive.

No action has been or will be taken in any country or jurisdiction by the Issuer, the Guarantor or the Dealers that would permit a public offering of Instruments, 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 Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer,

sell or deliver Instruments or have in their possession or distribute such offering material, in all cases at their own expense.

Each Dealer has agreed that it will comply with all relevant laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Instruments or has in its possession or distributes this Prospectus, any other offering material or any Final Terms.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Instruments which is admitted to trading on the London Stock Exchange's regulated market will be substantially in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue.*

**PROHIBITION OF SALES TO EEA INVESTORS** - The Instruments are not intended to be offered, sold or otherwise made available to and, with effect from such date, 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 2002/92/EC (as amended or superseded, the "**Insurance Mediation 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 (the "**PRiIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments 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 Instruments has led to the conclusion that: (i) the target market for the Instruments is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Instruments to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Instruments (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 Instruments (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

**Final Terms dated [●]**

### **CADENT FINANCE PLC**

**Legal Entity Identifier (LEI): 5493005M8TJ0J6IMUF67**

**guaranteed upon issue by**

### **CADENT GAS LIMITED**

Issue of [Aggregate Principal Amount of Tranche] [Title of Instruments]  
under the £6,000,000,000 Euro Medium Term Note Programme

## **PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 19 December 2018 [and the supplementary Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of the Directive 2003/71/EC (as amended or superseded) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplementary Prospectus[es]] [is] [are] available for viewing at, and copies may be obtained from, the registered address of the Issuer at Ashbrook Court Prologis Park, Central Boulevard, Coventry, United Kingdom, CV7 8PE and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and are available for viewing on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

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 terms and conditions (the “**Conditions**”) contained in the Trust Deed dated [*original date*] and set forth in the Prospectus dated [*original date*] and incorporated by reference into the Prospectus dated 19 December 2018 and which are attached hereto. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Directive 2003/71/EC (as amended or superseded) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated 19 December 2018 [and the supplementary Prospectus], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer, the Guarantor and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Prospectus dated 19 December 2018 [and the supplementary Prospectuses dated [●]]. The Prospectus [and the supplementary Prospectus/] [is/are] available for viewing at, and copies may be obtained from, the registered address of the Issuer at Ashbrook Court Prologis Park, Central Boulevard, Coventry, United Kingdom, CV7 8PE and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and are available for viewing on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

1	(i) Issuer:	Cadent Finance plc
	(ii) Guarantor:	Cadent Gas Limited
2	[(i)] Series Number:	[●]
	[(ii)] Tranche Number:	[●]
	[(iii)] Date on which the Instruments become fungible:	[Not Applicable/The Instruments shall be consolidated, form a single series and be interchangeable for trading purposes with the [ <i>insert description of the Series</i> ] on [ <i>insert date/the Issue Date/exchange of the Temporary Global Instrument for interests in the Permanent Global Instrument, as referred to in paragraph 25 below [which is expected to occur on or about [<i>insert date</i>]]].]</i>
3	Specified Currency or Currencies:	[●]
4	Aggregate Principal Amount:	[●]
	[(i)] Series:	[●]
	[(ii)] Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Principal Amount [plus accrued interest from [●]]
6	Specified Denomination(s):	[●]
7	Calculation Amount:	[●]
8	[(i)] Issue Date:	[●]
	[(ii)] Interest Commencement Date:	[●]
9	Maturity Date:	[●][Interest Payment Date falling in or nearest to [●]]
10	Interest Basis:	[[●] per cent. Fixed Rate] [[LIBOR][EURIBOR] +/- [●] per cent. Floating Rate]

		[Index Linked Interest] (See paragraph [15/16/17] below)
11	Redemption/Payment Basis:	[Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at [●] per cent. of their principal amount] [Index Linked Redemption]
12	Change of Interest or Redemption/Payment Basis:	[[●]/[Not Applicable]]
13	Put/Call Options:	[Investor Put] [Issuer Call][Make-whole] (See paragraph [18/19/20/21/22] below)
14	Date [Board] approval for issuance of Instruments [and the Guarantee] obtained:	[●]

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

15	<b>Fixed Rate Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year commencing on [●] and ending on [●]
	(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 (Condition 4.3.5):	[30/360 / Actual/Actual ([[ICMA])/ISDA]] / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis]
	(vi) Determination Dates (Condition 4.3.5):	[●] in each year
16	<b>Floating Rate Instrument Provisions</b>	[Applicable/Not Applicable]
	(i) Interest Period(s):	[●][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(ii) Specified Interest Payment Dates:	[●][, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
	(iii) Interest Period Date:	[Not Applicable]/[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]

- (iv) First Interest Payment Date: [Not Applicable]/ [●] [in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
- (v) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
- (vi) Business Centre(s) (Condition 4.3.5): [●]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Interest Period Date(s): [Not Applicable/[●]]
- (ix) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [●]
- (x) Screen Rate Determination (Condition 4.2.3(B)):
- Relevant Time: [●]
  - Interest Determination Date(s): [●] [[TARGET] Business Days in [●] for [●] prior to [●]]  
[Second London business day prior to the start of each Interest Accrual Period]  
[First day of each Interest Accrual Period]  
[Second day on which the TARGET 2 System is open prior to the start of each Interest Accrual Period]
  - Primary Source for Floating Rate: [●]
  - Reference Banks (if Primary Source is “Reference Banks”): [●]
  - Relevant Financial Centre: [●]
  - Benchmark: [LIBOR/ EURIBOR]
  - Representative Amount: [●]
  - Effective Date: [●]
  - Specified Duration: [●]
- (xi) ISDA Determination (Condition 4.2.3(A)):
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]

	(xii) Linear Interpolation (Condition 4.2.3(c)):	[Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation ( <i>specify for each short or long interest period</i> )]
	(xiii) Margin(s):	[[+/-][●] per cent. per annum] [Not Applicable]
	(xiv) Minimum Rate of Interest:	[●] per cent. per annum [Not Applicable]
	(xv) Maximum Rate of Interest:	[●] per cent. per annum [Not Applicable]
	(xvi) Day Count Fraction (Condition 4.3.5):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA)]
17	<b>Index Linked Interest Instrument</b>	[Applicable/Not Applicable]
	(i) Index:	[RPI/CPI/CPIH]
	(ii) Rate of Interest:	[●] per cent. [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(iii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent):	[[●] / Not Applicable]
	(iv) Specified Interest Payment Dates:	[●]
	(v) First Interest Payment Date:	[●]
	(vi) Interest Period(s):	[●]
	(vii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
	(viii) Minimum Indexation Factor:	[Not Applicable/[●]]
	(ix) Business Centre(s) (Condition 4.3.5):	[●]
	(x) Maximum Indexation Factor:	[Not Applicable/[●]]
	(xi) Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor:	[●] per cent. per annum
	(xii) Base Index Figure (Condition 5.1):	[●]
	(xiii) Day Count Fraction (Condition 4.3.5):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA)]

- (xiv) "Index Figure" (Condition 5.1): Sub-paragraph [(i)/(ii)/(iii)] of the definition of the relevant "Index" as set out in Condition 5.1 shall apply
- (xv) Reference Gilt: [[●]/ Not Applicable]

**PROVISIONS RELATING TO REDEMPTION**

- 18      **Residual Holding Call Option**      [Applicable/Not Applicable]
- (i) Residual Holding Percentage:      [●] per cent.
- (ii) Party responsible for calculating the Residual Holding Redemption Amount (if not the Calculation Agent):      [●]
- (iii) Benchmark Security:      [●]
- (iv) Benchmark Spread:      [●] per cent. per annum
- (v) Benchmark Day Count Fraction:      [●]
- 19      **Call Option**      [Applicable/Not Applicable]
- (i) Optional Redemption Date(s):      [●]
- (ii) Optional Redemption Amount(s) of each Instrument:      [[●] per Calculation Amount]
- (iii) If redeemable in part:
- (a) Minimum principal amount to be redeemed:      [●]
- (b) Maximum principal amount to be redeemed:      [●]
- (iv) Option Exercise Date(s):      [●]
- (v) Notice periods (Condition 6.5.2): Minimum Period: [15]/[●] days  
Maximum Period: [30]/[●] days
- 20      **Make-whole Redemption Option**      [Applicable/Not Applicable]
- (i) Make-whole Redemption Date(s):      [●]
- (a) Reference Bond:      [●]
- (b) Quotation Time:      [●]
- (c) Redemption Margin:      [[●] per cent.][None]  
[●]
- (d) Determination Date:
- (ii) If redeemable in part:
- (a) Minimum principal amount to be redeemed:      [●]
- (b) Maximum principal amount to be redeemed:      [●]

	(iii) Notice periods (Condition 6.5.3):	Minimum Period: [15]/[●] days Maximum Period: [30]/[●] days
21	<b>Redemption at the Option of the Instrumentholders on a Restructuring Event</b>	
	Optional Put Redemption Amount(s) of each Instrument:	[●] per Calculation Amount
22	<b>Optional Put Option</b>	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Instrument:	[●] per Calculation Amount
	(iii) Option Exercise Date(s):	[●]
	(iv) Notice periods (Condition 6.7):	Minimum Period: [15]/[●] days Maximum Period: [30]/[●] days
	(v) Option Period:	[●]
23	<b>Final Redemption Amount of each Instrument</b>	[[●] per Calculation Amount]
	In cases where the Final Redemption Amount is Index-Linked:	
	(i) Index:	[RPI/CPI/CPIH]
	(ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent):	[[●] / Not Applicable]
	(iii) Determination Date(s):	[●]
	(iv) Payment Date:	[●]
	(v) Minimum Final Redemption Amount:	[●] per Calculation Amount
	(vi) Maximum Final Redemption Amount:	[●] per Calculation Amount
	(vii) Notice Periods (Condition 5.6):	Minimum Period: [30]/[●] days Maximum Period: [60]/[●] days
24	<b>Early Redemption Amount</b>	
	(i) Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons (Condition 6.2) or on Event of Default (Condition 10):	[●] per Calculation Amount
	(ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6.2):	[Yes/No]
	(iii) Notice Periods (Condition 6.2):	Minimum Period: [30]/[●] days Maximum Period: [45]/[●] days

**GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS**

25	Form of Instruments	[Temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the Permanent Global Instrument]  [Temporary Global Instrument exchangeable for Definitive Instruments on 40 days' notice]  [Permanent Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the Permanent Global Instrument]
26	New Global Note:	[No/Yes]
27	Financial Centre(s) or other special provisions relating to Payment Dates (Condition 7.6):	[Not Applicable/[•]]
28	Talons for future Coupons to be attached to Definitive Instruments (and dates on which such Talons mature):	[Yes, as the Instruments 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/No]

**THIRD PARTY INFORMATION**

[[•] has been extracted from [•]. The Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as they are aware and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....  
Duly authorised

Signed on behalf of Cadent Gas Limited:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING AND TRADING

- (i) Listing: The Official List
- (ii) Admission to trading: Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on the London Stock Exchange's regulated market with effect from [●].
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2 RATINGS

- Ratings: The Instruments to be issued [have [not ]been][are expected to be] rated[:
- [S&P: [●]]
- [Moody's: [●]]
- [Fitch: [●]]

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

[So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.]

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

- [(i)] Reasons for the offer: [●]
- [If Item 9 (*Green Instruments*) is applicable in the applicable Final Terms, the following language shall be included].

[Net proceeds from the issue of a Series of Instruments (the "**Green Instruments**") will be allocated in order to finance, refinance and/or invest in the Eligible Green Portfolio (as defined below) meeting the Eligibility Criteria (as defined below).

"**Eligibility Criteria**" means the criteria prepared by the Issuer. A third party consultant will review the Eligible Green Portfolio and issue a Green Portfolio Opinion based on the Eligibility Criteria. The Green Portfolio Opinion will be made available on the Issuer's website at [www.cadentgas.com](http://www.cadentgas.com).

"**Eligible Green Portfolio**" means a portfolio of Eligible Green Projects.

“**Eligible Green Projects**” means sustainable gas distribution projects with a reduced climate footprint.

Pending allocation of the net proceeds for investment in the Eligible Green Portfolio, the Issuer will hold such net proceeds in an operating account, at its discretion, in the form of cash or other investments. The balance of the Eligible Green Portfolio, until such amount is used in full, will be periodically adjusted to match allocations to Eligible Green Projects. The Issuer will establish systems to monitor and account for the net proceeds for investment in the Eligible Green Portfolio meeting the Eligibility Criteria.

The Issuer is expected to issue a report on (i) the portfolio to which proceeds of Green Instruments have been allocated and the amounts allocated and (ii) the expected impact of the Eligible Green Portfolio on the environment. This report will be issued once a year until all Green Instruments are repaid in full or until the maturity date of those Green Instruments. The report will be reviewed by a third party consultant or with limited assurance by an independent auditor. In addition, the Issuer is expected to provide regular information through its website [www.cadentgas.com](http://www.cadentgas.com) on the environmental outcomes of the Eligible Green Portfolio.]

[(ii)] Estimated net proceeds: [●]

[(iii)] Estimated total expenses: [●]

## 5 [Fixed Rate Instruments only – YIELD

Indication of yield: Calculated as [●] on the Issue Date. The yield is calculated on the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

## 6 [Index Linked Instruments only – PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING

(i) Name of underlying index: [U.K. Retail Prices Index (RPI) (all items) published by the Office for National Statistics] / [U.K. Consumer Prices Index (CPI) (all items) published by the Office for National Statistics / U.K. Consumer Prices Index including Owner Occupiers’ Housing costs and Council Tax (CPIH) (all items) published by the Office for National Statistics]

(ii) Information about the Index, Information on [RPI/CPI/CPIH] can be found at its volatility and past and future [www.statistics.gov.uk / www.ons.gov.uk] performance can be obtained from:

## 7 OPERATIONAL INFORMATION

ISIN:	[•]
FISN:	[Not Applicable/[•]]
CFI Code:	[Not Applicable/[•]]
Common Code:	[•]
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking S.A. and the identification number(s):	[Not Applicable/[•]]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	[•]
Names and addresses of additional Paying Agent(s) (if any):	[•]
[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation “yes” simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]  [No. Whilst the designation is specified as “no” at the date of this Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]
If syndicated, names of Managers:	[•]
If non-syndicated, name of Dealer:	[•]
Stabilisation Manager(s) if any:	[Not Applicable/[•]]

**8 U.S. SELLING RESTRICTIONS**

U.S Selling Restrictions:

[Reg. S Compliance Category 2; TEFRA C /  
TEFRA D / TEFRA not applicable]

**9 GREEN INSTRUMENTS**

**Green Instruments:**

[Applicable]/[Not Applicable]

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Tranche of PSM Instruments issued under the Programme which is listed on the official list of the U.K. Listing Authority and admitted to trading on the London Stock Exchange's professional securities market will be in the following form, duly completed to reflect the particular terms of the relevant Instruments and their issue.*

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC, AS AMENDED FOR THE ISSUE OF THE INSTRUMENTS DESCRIBED BELOW.

**PROHIBITION OF SALES TO EEA INVESTORS** – The Instruments are not intended to be offered, sold or otherwise made available to and, with effect from such date, 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 2002/92/EC (as amended or superseded, the "**Insurance Mediation 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 (the "**PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments 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 Instruments has led to the conclusion that: (i) the target market for the Instruments is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Instruments to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Instruments (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 Instruments (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

### Pricing Supplement dated [●]

**CADENT FINANCE PLC**

Legal Entity Identifier (LEI): 5493005M8TJ0J6IMUF67

guaranteed upon issue by

**CADENT GAS LIMITED**

Issue of [Aggregate Principal Amount of Tranche] [Title of Instruments] under the  
£6,000,000,000 Euro Medium Term Note Programme

## PART A – CONTRACTUAL TERMS

Any person making or intending to make an offer of the Instruments may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in

the Listing Particulars dated [●] which [together with the supplementary listing particulars dated [●]] constitutes listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules of the Financial Conduct Authority (the “**Listing Rules**”). This document constitutes the Pricing Supplement of the Instruments described herein for the purposes of Listing Rule 4.2.3 of the Listing Rules and must be read in conjunction with such Listing Particulars [as so supplemented]. Full information on the Issuer, the Guarantor and the offer of the Instruments is only available on the basis of the combination of this Pricing Supplement and the Listing Particulars [as so supplemented]. The Listing Particulars [and the supplementary listing particulars] [is] [are] available for viewing at and copies may be obtained from, the registered address of the Issuer at Ashbrook Court Prologis Park, Central Boulevard, Coventry, United Kingdom, CV7 8PE and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

*The following alternative language applies if the first tranche of an issue which is being increased was issued under Listing Particulars with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) contained in the Trust Deed dated [issue date of original Instruments] a copy of which is set forth in the Listing Particulars dated [original date] and incorporated by reference into the Listing Particulars dated [date of current prospectus] and which are attached hereto. This document constitutes the Pricing Supplement of the Instruments described herein for the purposes of Listing Rule 4.2.3 of the Listing Rules of the Financial Conduct Authority and must be read in conjunction with the Listing Particulars dated [date of current prospectus] [and the supplementary listing particulars dated [●]], which [together] constitute[s] listing particulars for the purposes of Listing Rule 2.2.11 of the Listing Rules. Full information on the Issuer, the Guarantor and the offer of the Instruments is only available on the basis of the combination of the Listing Particulars dated [current date] [and the supplementary listing particulars dated [●] and [●]] and this Pricing Supplement. [The Listing Particulars [and the supplementary listing particulars] [is/are] available for viewing at and copies may be obtained from, the registered address of the Issuer at Ashbrook Court Prologis Park, Central Boulevard, Coventry, United Kingdom, CV7 8PE and the office of the Issuing and Paying Agent at One Canada Square, London E14 5AL and [has/have] been published on the website of Regulatory News Services operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

- |   |  |
|---|--|
| (i) Issuer:   | Cadent Finance plc   |
| (ii) Guarantor:                                       | Cadent Gas Limited   |
| 2. [(i)] Series Number:                               | [●]  |
| [(ii) Tranche Number:                                 | [●]  |
| [(iii) Date on which the Instruments become fungible: | [Not Applicable/The Instruments 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 Instrument for interests in the Permanent Global Instrument, as referred to in paragraph 25 below [which is expected to occur on or about [insert date]].] |
| 3. Specified Currency or Currencies:                  | [●]  |

4. Aggregate Principal Amount: [●]  
 [(i)] Series: [●]  
 [(ii)] Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Principal Amount [plus accrued interest from [●]]
6. Specified Denomination(s): [●]
7. Calculation Amount: [●]
8. [(i)] Issue Date: [●]  
 [(ii)] Interest Commencement Date: [●]
9. Maturity Date: [●] [Interest Payment Date falling on or nearest to [●]]
10. Interest Basis: [[●] per cent. Fixed Rate]  
 [[LIBOR][EURIBOR] +/- [●] per cent. Floating Rate]  
 [Index Linked Interest]  
 See paragraph [15/16/17] below
11. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Instruments will be redeemed on the Maturity Date at [●] per cent. of their principal amount]  
 [Index Linked Redemption]
12. Change of Interest or Redemption/Payment Basis: [[●] / Not Applicable]
13. Put/Call Options: [Investor Put]  
 [Issuer Call] [(Make-whole)]  
 See paragraph [18/19/20/21/22] below
14. Date [Board] approval for issuance of Instruments [and Guarantee] obtained: [●]

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

15. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year commencing on [●] and ending on [●]
- (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 (Condition 4.3.5):	[30/360 / Actual/Actual [(ICMA)/ISDA]] / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis]
(vi) Determination Dates (Condition 4.3.5):	[●] in each year
<b>16. Floating Rate Instrument Provisions</b>	[Applicable/Not Applicable]
(i) Interest Period(s):	[●], subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(ii) Specified Interest Payment Dates:	[●], subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(iii) Interest Period Date:	[Not Applicable]/[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(iv) First Interest Payment Date:	[Not Applicable]/ [●] [in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(v) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]
(vi) Business Centre(s) (Condition 4.3.5):	[●]
(vii) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(ix) Screen Rate Determination (Condition 4.2.3(B)):	[Applicable/Not Applicable]
– Relevant Time:	[●]

<ul style="list-style-type: none"> <li>– Interest Determination Date(s):</li> </ul>	<p>[•] [[TARGET] Business Days in [•] for [•] prior to [•]]</p> <p>[Second London business day prior to the start of each Interest Accrual Period]</p> <p>[First day of each Interest Accrual Period]</p> <p>[Second day on which the TARGET 2 System is open prior to the start of each Interest Accrual Period]</p>
<ul style="list-style-type: none"> <li>– Primary Source for Floating Rate:</li> </ul>	<p>[•]</p>
<ul style="list-style-type: none"> <li>- Reference Banks (if Primary Source is “Reference Banks”):</li> </ul>	<p>[•]</p>
<ul style="list-style-type: none"> <li>- Relevant Financial Centre:</li> </ul>	<p>[•]</p>
<ul style="list-style-type: none"> <li>- Benchmark:</li> </ul>	<p>[LIBOR/ EURIBOR]</p>
<ul style="list-style-type: none"> <li>- Representative Amount:</li> </ul>	<p>[•]</p>
<ul style="list-style-type: none"> <li>- Effective Date:</li> </ul>	<p>[•]</p>
<ul style="list-style-type: none"> <li>- Specified Duration:</li> </ul>	<p>[•]</p>
<ul style="list-style-type: none"> <li>(x) ISDA Determination (Condition 4.2.3(A)):</li> </ul>	<p>[Applicable/Not Applicable]</p>
<ul style="list-style-type: none"> <li>– Floating Rate Option:</li> </ul>	<p>[•]</p>
<ul style="list-style-type: none"> <li>– Designated Maturity:</li> </ul>	<p>[•]</p>
<ul style="list-style-type: none"> <li>– Reset Date:</li> </ul>	<p>[•]</p>
<ul style="list-style-type: none"> <li>(xi) Linear Interpolation (Condition 4.2.3(C)):</li> </ul>	<p>[Not Applicable/ Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (<i>specify for each short or long interest period</i>)]</p>
<ul style="list-style-type: none"> <li>(xii) Margin(s):</li> </ul>	<p>[[+/-][•] per cent. per annum]</p> <p>[Not Applicable]</p>
<ul style="list-style-type: none"> <li>(xiii) Minimum Rate of Interest:</li> </ul>	<p>[•] per cent. per annum [Not Applicable]</p>
<ul style="list-style-type: none"> <li>(xiv) Maximum Rate of Interest:</li> </ul>	<p>[•] per cent. per annum [Not Applicable]</p>
<ul style="list-style-type: none"> <li>(xv) Day Count Fraction (Condition 4.3.5):</li> </ul>	<p>[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA)]</p>

<b>17. Index Linked Interest Instrument</b>	[Applicable/Not Applicable]
(i) Index:	[RPI/CPI/CPIH]
(ii) Rate of Interest:	[●] per cent. [payable [annually/semi-annually/quarterly/monthly] in arrear]
(iii) Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Calculation Agent):	[[●] / Not Applicable]
(iv) Interest Payment Dates:	[●]
(v) First Interest Payment Date:	[●]
(vi) Interest Period(s):	[●]
(vii) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(viii) Minimum Indexation Factor:	[Not Applicable/[●]]
(ix) Business Centre(s) (Condition 4.3.5):	[●]
(x) Maximum Indexation Factor:	[Not Applicable/[●]]
(xi) Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor:	[●] per cent. per annum
(xii) Base Index Figure (Condition 5.1):	[●]
(xiii) Day Count Fraction (Condition 4.3.5):	[30/360 / Actual/Actual ([ICMA]/ISDA) / Actual/365(Fixed) / Actual/360 / 30E/360 / 360/360 / Bond Basis / 30E/360(ISDA) / Eurobond Basis / 30E/360(ISDA)]
(xiv) "Index Figure" (Condition 5.1):	Sub-paragraph [(i)/(ii)/(iii)] of the definition of the relevant "Index" as set out in Condition 5.1 shall apply
(xv) Reference Gilt:	[●]

## PROVISIONS RELATING TO REDEMPTION

<b>18. Residual Holding Call Option</b>	[Applicable/Not Applicable]
---	-----------------------------

- (i) Residual Holding Percentage: [•] per cent.
  - (ii) Party responsible for calculating the Residual Holding Redemption Amount (if not the Calculation Agent): [•]
  - (iii) Benchmark Security: [•]
  - (iv) Benchmark Spread: [•] per cent. per annum
  - (v) Benchmark Day Count Fraction: [•]
19. **Call Option** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of each Instrument: [[•] per Calculation Amount]
  - (iii) If redeemable in part:
    - (a) Minimum principal amount to be redeemed: [•]
    - (b) Maximum principal amount to be redeemed: [•]
  - (iv) Option Exercise Date(s): [•]
  - (v) Notice periods (Condition 6.5.2): Minimum Period: [15]/[•] days  
Maximum Period: [30]/[•] days
20. **Make-whole Redemption Option** [Applicable/Not Applicable]
- (i) Make-whole Redemption Date(s): [•]
    - (a) Reference Bond: [•]
    - (b) Quotation Time: [•]
    - (c) Redemption Margin: [[•] per cent.][None]
    - (d) Determination Date: [•]
  - (ii) If redeemable in part:
    - (a) Minimum principal [•]

amount to be redeemed:

(b) Maximum principal amount to be redeemed: [●]

(iii) Notice periods (Condition 6.5.3): Minimum Period: [15]/[●] days  
Maximum Period: [30]/[●] days

**21. Redemption at the Option of the Instrumentholders on a Restructuring Event**

(i) Optional Put Redemption Amount(s) of each Instrument: [●] per Calculation Amount

**22. Optional Put Option** [Applicable/Not Applicable]

(i) Optional Redemption Date(s): [●]

(ii) Optional Redemption Amount(s) of each Instrument: [●] per Calculation Amount

(iii) Option Exercise Date(s): [●]

(iv) Notice periods (Condition 6.7): Minimum Period: [15]/[●] days  
Maximum Period: [30]/[●] days

(v) Option Period: [●]

**23. Final Redemption Amount of each Instrument:** [[●] per Calculation Amount]

In cases where the Final Redemption Amount is Index-Linked:

(i) Index: [RPI/CPI/CPIH]

(ii) Party responsible for calculating the Final Redemption Amount (if not the Calculation Agent): [[●] / Not Applicable]

(iii) Determination Date(s): [●]

(iv) Payment Date: [●]

(v) Minimum Final Redemption Amount: [●] per Calculation Amount

(vi) Maximum Final Redemption Amount: [●] per Calculation Amount

(vii) Notice Periods (Condition 5.6): Minimum Period: [30]/[●] days  
Maximum Period: [60]/[●] days

#### 24. Early Redemption Amount

(i) Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons (Condition 6.2) or on Event of Default (Condition 10): [●] per Calculation Amount

(ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 6.2) [Yes/No]

(iii) Notice Periods (Condition 6.2): Minimum Period: [30]/[●] days  
Maximum Period: [45]/[●] days

### GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

#### 25. Form of Instruments

[Temporary Global Instrument exchangeable for a permanent Global Instrument which is exchangeable for Definitive Instruments in the limited circumstances specified in the Permanent Global Instrument]

[Temporary Global Instrument exchangeable for Definitive Instruments on 40 days' notice]

[Permanent Global Instrument exchangeable for Definitive Instruments in the limited circumstances specified in the Permanent Global Instrument]

26. New Global Note [No/Yes]

27. Financial Centre(s) or other special provisions relating to Payment Dates (Condition 7.6): [Not Applicable/[●]]

28. Talons for future Coupons to be attached to Definitive Instruments (and dates on which such Talons mature): [Yes, as the Instruments 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/No]

### THIRD PARTY INFORMATION

[[●] has been extracted from [●]. The Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as they are aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....

Duly authorised

Signed on behalf of Cadent Gas Limited:

By: .....

Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND TRADING

- (i) Listing: The Official List
- (ii) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on [the London Stock Exchange’s professional securities market with effect from [●].]  
[Application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on the London Stock Exchange’s professional securities market with effect from [●].]
- (iii) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS

- Ratings: The Instruments to be issued [have [not ]been / are expected to be] rated[:  
[S&P: [●]]  
[Moody’s: [●]]  
[Fitch: [●]]

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

[So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.]

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

- [(i)] Reasons for the offer [●]
- [Net proceeds from the issue of a Series of Instruments (the “**Green Instruments**”) will be allocated in order to finance, refinance and/or invest in the Eligible Green Portfolio (as defined below) meeting the Eligibility Criteria (as defined below).
- “**Eligibility Criteria**” means the criteria prepared by the Issuer. A third party consultant will review the Eligible Green Portfolio and issue a Green Portfolio Opinion based on the Eligibility Criteria. The Green Portfolio Opinion will be made available on the Issuer’s website at [www.cadentgas.com](http://www.cadentgas.com).
- “**Eligible Green Portfolio**” means a portfolio of Eligible Green Projects.
- “**Eligible Green Projects**” means sustainable gas distribution projects with a reduced climate footprint.

Pending allocation of the net proceeds for investment in the Eligible Green Portfolio, the Issuer will hold such net proceeds in an operating account, at its discretion, in the form of cash or other investments. The balance of the Eligible Green Portfolio, until such amount is used in full, will be periodically adjusted to match allocations to Eligible Green Projects. The Issuer will establish systems to monitor and account for the net proceeds for investment in the Eligible Green Portfolio meeting the Eligibility Criteria.

The Issuer is expected to issue a report on (i) the portfolio to which proceeds of Green Instruments have been allocated and the amounts allocated and (ii) the expected impact of the Eligible Green Portfolio on the environment. This report will be issued once a year until all Green Instruments are repaid in full or until the maturity date of those Green Instruments. The report will be reviewed by a third party consultant or with limited assurance by an independent auditor. In addition, the Issuer is expected to provide regular information through its website [www.cadentgas.com](http://www.cadentgas.com) on the environmental outcomes of the Eligible Green Portfolio.]

[(ii)] Estimated net proceeds: [●]

[(iii)] Estimated total expenses: [●]

#### 5. **[Fixed Rate Instruments only – YIELD**

Indication of yield: Calculated as [●] on the Issue Date

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

#### 6. **[Index Linked Instruments only – PERFORMANCE OF INDEX AND OTHER INFORMATION CONCERNING THE UNDERLYING**

(i) Name of underlying index: [U.K. Retail Prices Index (RPI) (all items) published by the Office for National Statistics] / U.K. Consumer Prices Index (CPI) (all items) published by the Office for National Statistics / U.K. Consumer Prices Index including Owner Occupiers' Housing costs and Council Tax (CPIH) (all items) published by the Office for National Statistics]

(ii) Information about the Index, its volatility and past and future performance can be obtained from: Information on [RPI/CPI/CPIH] can be found at [[www.statistics.gov.uk](http://www.statistics.gov.uk) / [www.ons.gov.uk](http://www.ons.gov.uk)]

#### 7. **OPERATIONAL INFORMATION**

ISIN: [●]

FISN: [Not Applicable/[●]]

CFI Code: [Not Applicable/[●]]

Common Code: [●]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking S.A. and the identification number(s):	[Not Applicable/[•]]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	[•]
Names and addresses of additional Paying Agent(s) (if any):	[•]
[Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation “yes” simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/
	[No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

## 8. DISTRIBUTION

(i) U.S. Selling Restrictions:	Reg. S Compliance Category 2; [TEFRA C / TEFRA D / TEFRA not applicable]
(ii) Method of distribution:	[Syndicated/Non-syndicated]
(iii) If syndicated, names of Managers:	[Not Applicable/give names]
(iv) Stabilisation Manager(s) (if any):	[Not Applicable/give names]
(v) If non-syndicated, name of Dealer:	[Not Applicable/give name]
(vi) Additional selling restrictions:	[Not Applicable/give details]

## GENERAL INFORMATION

- (1) The admission of the Programme to listing on the Official List and to trading on the Market and the PSM is expected to take effect on or about 21 December 2018. The listing of the Instruments on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Instruments intended to be admitted to listing on the Official List and admitted to trading on the Market or the PSM will be so admitted to listing and trading upon submission to the U.K. Listing Authority and the London Stock Exchange (in accordance with their rules and procedures) of the relevant Final Terms and any other information required by the U.K. Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Instruments. Prior to official listing, dealings will be permitted by the Market or the PSM, as the case may be, in accordance with their respective rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.
- (2) Each of FinCo and OpCo has obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the issue and performance of the Instruments and the Guarantee.
- (3) The Issuer's legal entity identifier code is 5493005M8TJ0J6IMUF67.
- (4) The update of the Programme was authorised by resolutions of the Board of Directors of FinCo passed on 29 November 2018.
- (5) The giving of the Guarantee was authorised by a resolution of the Board of Directors of OpCo passed on 29 November 2018.
- (6) Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Instruments of each Series will be specified in the relevant Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system(s) as shall have accepted the relevant Instruments for clearance together with any further appropriate information. 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.
- (7) There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which OpCo is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past a significant effect on the financial position or profitability of the Guarantor, the Issuer or any of the Guarantor's other subsidiaries (together, the "**Group**").
- (8) There has been no significant change in the financial or trading position of the Issuer, the Guarantor or the Group since 30 September 2018.
- (9) There has been no material adverse change in the prospects of the Issuer, the Guarantor or the Group since 31 March 2018.
- (10) Until 25 September 2017, PricewaterhouseCoopers LLP were the auditors of the Issuer and the Guarantor. From 26 September 2017, the auditors of the Issuer and Guarantor are Deloitte LLP.
- (11) Each Instrument, Coupon and Talon will bear the following legend: "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".
- (12) For a period of 12 months following the date of this Prospectus, copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the offices of The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL:
  - (i) a copy of this Prospectus with any supplement to this Prospectus or further Prospectus;

- (ii) the Memorandum and Articles of Association of the Issuer and the Guarantor;
- (iii) the audited consolidated financial statements of the Issuer and the Guarantor for the financial year ended 31 March 2017, together with the audit report thereon;
- (iv) the audited consolidated financial statements of the Issuer and the Guarantor for the financial year ended 31 March 2018, together with the audit report thereon;
- (v) the unaudited interim management reports of the Issuer and Guarantor for the financial half year ended 30 September 2018;
- (vi) the Trust Deed which incorporates the Guarantee; and
- (vii) the Agency Agreement.

In addition, this Prospectus is and, in the case of Instruments to be admitted to the Official List and admitted to trading on the Market or the PSM, the relevant Final Terms will be, available on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

- (13) The Issuer does not intend to provide any post-issuance information.
- (14) Some of the Dealers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, OpCo or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their respective 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, OpCo and/or their respective affiliates. Certain of the Dealers or their respective affiliates that have a lending relationship with the Issuer and/or OpCo routinely hedge their credit exposure to the Issuer and/or OpCo, as applicable, consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the relevant entity's securities, including potentially the Instruments. Any such short positions could adversely affect future trading prices of the Instruments. The Dealers and their respective 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.

## REGISTERED OFFICE OF THE ISSUER AND THE GUARANTOR

Ashbrook Court Prologis Park  
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Coventry, CV7 8PE  
United Kingdom

## THE TRUSTEE

### The Law Debenture Trust Corporation p.l.c.

Fifth Floor  
100 Wood Street  
London EC2V 7EX  
United Kingdom

## THE ARRANGER

### National Westminster Bank Plc

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London EC2M 4AA  
United Kingdom

## THE DEALERS

### Barclays Bank PLC

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

### Lloyds Bank Corporate Markets plc

10 Gresham Street  
London EC2V 7AE  
United Kingdom

### Mizuho International plc

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30 Old Bailey  
London EC4M 7AU  
United Kingdom

### MUFG Securities EMEA plc

Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AJ  
United Kingdom

### The Toronto-Dominion Bank

60 Threadneedle Street  
London EC2R 8AP  
United Kingdom

### BNP Paribas

10 Harewood Avenue  
London NW1 6AA  
United Kingdom

### Merrill Lynch International

2 King Edward Street  
London EC1A 1HQ  
United Kingdom

### Morgan Stanley & Co. International plc

25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

### NatWest Markets Plc

250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**LEGAL ADVISERS**

*To the Issuer and the Guarantor*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ  
United Kingdom

*To the Arranger and Dealers*

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ  
United Kingdom

**ISSUING AND PAYING AGENT**

**The Bank of New York Mellon, London Branch**

One Canada Square  
London E14 5AL  
United Kingdom

**AUDITORS AND REPORTING ACCOUNTANTS**

**Until 25 September 2017**

**PricewaterhouseCoopers LLP**  
1 Embankment Place  
London WC2N 6RH

**From 26 September 2017**

**Deloitte LLP**  
2 New Street Square  
London EC4A 3BZ  
United Kingdom